Mkhondo Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Mayoral committee	
Executive Mayor	Cllr. V.M. Motha
Speaker	Cllr. T.G. Nkosi
Chief Whip	Cllr. M.L. Yende
Member of Mayoral Committee- Finance and Technical	Cllr. Z.J. Mnisi
Member of Mayoral Committee - Community Services	Cllr. D. Thwala
Member of Mayoral Committee - Planning, Corporate and Development	Cllr. T.E. Khumalo
Councillors	Cllr. M.L. Yende
	Cllr. Z.J. Mnisi
	Cllr. D. Thwala
	Cllr. T.E. Khumalo
	Cllr. B.J. Vilakazi
	Cllr. T.S. Nkosi
	Cllr. M.D. Ntuli
	Cllr. K.D. Masondo
	Cllr. J.L.I Brussow
	Cllr. T.S. Mafuyeka
	Cllr. T.P. Hlatshwyo
	Cllr. D.M. Ntshakala
	Cllr. C.B. Mkwanazi
	Cllr. F.C. Mthetwa
	Cllr. T.W. Manana
	Cllr. N.N. Zulu
	Cllr. S.C. Mahlobo
	Cllr. B.C. Mkwananzi
	Cllr. S.M.N. Bophela
	Cllr. R.J.A Wilson
	Cllr. M.Z. Ngwenya
	Cllr. B.M. Khumalo
	Cllr. B.I. Nkosi
	Cllr. S.Z. Yende
	Cllr. T.B. Nkosi
	Cllr. S.E.T. Mtshali
	Cllr. P.E. Thabede
	Cllr. J.P. Makhathini
	Cllr. S.D. Thwala
	Cllr. T.S.M. Zulu
	Cllr. D.M. Ngobese
	Cllr. R.P. Hlatshwayo
	Cllr. T.P. Mncube
	Cllr. T.G. Nkosi
Chief Finance Officer (CFO)	Mr. B. Maseko
Accounting Officer	Mr. M. Kunene
Registered office	Cnr Market & De Wet street
	Piet Retief
	2380

General Information

Business address	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank A division of First Rand Limited
Published	31 August 2017

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mr. M. Kunene
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was 53,791,965 (2016: surplus 83,734,335).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interest in the contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Changes
Mr. M. Kunene	Appointed 01 June 2017
Mr. M.J.S. Mabuza	Resigned 31 December 2016

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive Mayor and the Municipal Manager

The roles of Executive Mayor and the Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Accounting Officer's Report

Audit committee

The Audit Committee members for the period under review were as follows:

Position	Name	Date appointed
Chairperson:	Adv. L.T. Nevondwe	01-05-2014
Members:	Mr. W.J. Khumalo	01-05-2014
	Ms. C.A. Nyembe	01-05-2014

In terms of Section 166 of the Municipal Finance Management Act(Act 56 of 2003), the municipality must appoint members of the Audit Committee. Not withstanding that councilors appointed by the municipality constituted the municipal entities’ Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality’s audit committees who are not councilors of the municipal entity onto the audit committee.

Internal audit

The municipality has a functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003

8. Bankers

The municipality mainly banks with First National Bank Limited a division of First Rand limited

9. Auditors

Auditor General South Africa will continue in office for the next financial period.

10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

AddMkhondo Local Municipality did not enter into any Public Private Partnership for the 2016/17 financial year, nor does it have any existing PPP's.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	2	7,585,606	9,350,630
Receivables from exchange transactions	3	3,779,019	2,557,187
Receivables from non-exchange transactions	4	1,540,006	1,048,875
VAT receivable	5	-	14,253,837
Consumer debtors	6	37,276,663	28,325,503
Cash and cash equivalents	7	1,499,578	4,026,015
		51,680,872	**59,562,047**
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	58,873,012	72,264,809
Investment property	9	16,873,100	17,527,900
Property, plant and equipment	10	1,381,583,488	1,372,635,401
Intangible assets	11	246,227	158,887
Other financial assets	12	382,467	157,503
		1,457,958,294	**1,462,744,500**
Total Assets		**1,509,639,166**	**1,522,306,547**
Liabilities			
Current Liabilities			
Other financial liabilities	13	7,296,891	580,869
Operating lease liability	14	5,275	57,910
Payables from exchange transactions	15	201,987,773	174,962,563
VAT payable	16	6,376,670	-
Consumer deposits	17	3,510,222	3,271,552
Employee benefit obligation	18	1,485,909	1,966,047
Unspent conditional grants and receipts	19	4,126,488	518,556
		224,789,228	**181,357,497**
Non-Current Liabilities			
Other financial liabilities	13	-	380,425
Operating lease liability	14	-	5,275
Employee benefit obligation	18	19,512,984	20,069,797
Provisions	20	15,595,181	16,959,814
		35,108,165	**37,415,311**
Total Liabilities		**259,897,393**	**218,772,808**
Net Assets		**1,249,741,773**	**1,303,533,739**
Accumulated surplus		1,249,741,773	1,303,533,739

Statement of Financial Performance for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	22	163,927,310	120,785,386
Agency services		12,155,307	9,743,260
Licences and permits		115,639	31,508
Rental income		751,153	758,391
Other income	24	24,664,148	24,105,325
Interest received	23	16,599,564	11,687,746
Total revenue from exchange transactions		**218,213,121**	**167,111,616**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	40,351,299	34,003,480
Transfer revenue			
Government grants & subsidies	27	250,086,957	359,330,080
Public contributions and donations	28	-	12,642,184
Fines, Penalties and Forfeits		3,017,209	3,779,036
Total revenue from non-exchange transactions		**293,455,465**	**409,754,780**
Total revenue	21	**511,668,586**	**576,866,396**
Expenditure			
Employee related costs	29	(148,774,440)	(128,741,428)
Remuneration of councillors	30	(12,038,936)	(13,086,474)
Depreciation and amortisation	31	(70,177,996)	(72,299,029)
Impairment loss	32	-	(3,181,310)
Finance costs	33	(9,476,140)	(12,698,943)
Lease rentals on operating lease		(5,661,749)	(3,745,928)
Debt Impairment	34	(62,362,631)	(29,265,729)
Repairs and maintenance		(25,240,375)	(34,513,029)
Bulk purchases	35	(115,583,252)	(101,297,057)
Transfers and Subsidies	26	(6,675,705)	(3,929,752)
General Expenses	36	(97,271,596)	(87,946,110)
Total expenditure		**(553,262,820)**	**(490,704,789)**
Operating (deficit)/surplus	48	**(41,594,234)**	**86,161,607**
Gain on disposal of assets and liabilities		2,304,205	151,579
Fair value adjustments	37	(13,381,693)	1,062,926
Inventories losses/write-downs		(1,120,243)	(3,641,777)
		(12,197,731)	**(2,427,272)**
(Deficit)/surplus for the year		**(53,791,965)**	**83,734,335**

Statement of Changes in Net Assets for the year ended 30 June 2017

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,215,172,049	1,215,172,049
Adjustments		
Prior year adjustments	4,627,355	4,627,355
Balance at 01 July 2015 as restated*	**1,219,799,404**	**1,219,799,404**
Changes in net assets		
Deficit for the year	83,734,335	83,734,335
Total changes	83,734,335	83,734,335
Balance at 01 July 2016	**1,303,533,738**	**1,303,533,738**
Changes in net assets		
Surplus for the year	(53,791,965)	(53,791,965)
Total changes	(53,791,965)	(53,791,965)
Balance at 30 June 2017	**1,249,741,773**	**1,249,741,773**

Note(s)

Cash Flow Statement for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Property Taxation		40,351,304	34,003,480
Sale of goods and services		168,391,615	145,020,261
Grants		253,694,890	359,515,632
Interest income		442,467	1,028,258
		462,880,276	539,567,631
Payments			
Employee costs		(159,862,871)	(137,329,077)
Suppliers		(225,934,022)	(192,387,160)
Finance costs		(9,476,140)	(12,698,943)
		(395,273,033)	(342,415,180)
Net cash flows from operating activities	49	**67,607,243**	**197,152,451**
Cash flows from investing activities			
Purchase of property, plant and equipment	9&10	(80,748,786)	(212,634,672)
Proceeds from sale of property, plant and equipment	9&10	4,664,240	1,430,314
Purchase of other intangible assets	11	(169,871)	(167,250)
Purchase of financial assets		(214,860)	-
Proceeds from sale of financial assets		-	16,941,062
Net cash flows from investing activities		**(76,469,277)**	**(194,430,546)**
Cash flows from financing activities			
Proceeds from other financial liabilities		6,553,768	-
Repayment of other financial liabilities		(218,171)	(848,257)
Net cash flows from financing activities		**6,335,597**	**(848,257)**
Net increase/(decrease) in cash and cash equivalents		**(2,526,437)**	**1,873,648**
Cash and cash equivalents at the beginning of the year		4,026,015	2,152,367
Cash and cash equivalents at the end of the year	7	**1,499,578**	**4,026,015**

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2017

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	127,376,292	8,663,914	**136,040,206**	163,927,310	**27,887,104**	Ref 1 below
Agency services	6,458,154	-	**6,458,154**	12,155,307	**5,697,153**	Ref 2 below
Licences and permits	37,111	28,989	**66,100**	115,639	**49,539**	Ref 3 below
Rental income	693,418	26,215	**719,633**	751,153	**31,520**	Ref 4 below
Other income - (rollup)	27,159,447	(720,110)	**26,439,337**	24,664,148	**(1,775,189)**	Ref 5 below
Interest received - investment	11,521,269	5,322,666	**16,843,935**	16,599,564	**(244,371)**	Ref 6 below
Total revenue from exchange transactions	**173,245,691**	**13,321,674**	**186,567,365**	**218,213,121**	**31,645,756**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44,252,409	-	**44,252,409**	40,351,299	**(3,901,110)**	Ref 7 below
Transfer revenue						
Government grants & subsidies	249,278,000	854,406	**250,132,406**	250,086,957	**(45,449)**	Ref 8 below
Public contributions and donations	2,100,000	26,572,635	**28,672,635**	-	**(28,672,635)**	Ref 9 below
Fines, Penalties and Forfeits	760,677	(25,252)	**735,425**	3,017,209	**2,281,784**	Ref 10 below
Total revenue from non-exchange transactions	**296,391,086**	**27,401,789**	**323,792,875**	**293,455,465**	**(30,337,410)**	
Total revenue	**469,636,777**	**40,723,463**	**510,360,240**	**511,668,586**	**1,308,346**	
Expenditure						
Personnel	(132,738,978)	(15,983,417)	**(148,722,395)**	(148,774,440)	**(52,045)**	Ref 11 below
Remuneration of councillors	(14,652,897)	-	**(14,652,897)**	(12,038,936)	**2,613,961**	Ref 12 below
Depreciation and amortisation	(75,079,517)	-	**(75,079,517)**	(70,177,996)	**4,901,521**	Ref 13 below
Finance costs	(265,532)	-	**(265,532)**	(9,476,140)	**(9,210,608)**	Ref 14 below
Lease rentals on operating lease	-	-	**-**	(5,661,749)	**(5,661,749)**	Ref 15 below
Debt Impairment	(30,312,900)	-	**(30,312,900)**	(62,362,631)	**(32,049,731)**	Ref 16 below
Repairs and maintenance	(17,496,520)	(3,383,631)	**(20,880,151)**	(25,240,375)	**(4,360,224)**	Ref 17 below
Bulk purchases	(110,193,920)	-	**(110,193,920)**	(115,583,252)	**(5,389,332)**	Ref 18 below
Transfers and Subsidies	(12,728,396)	-	**(12,728,396)**	(6,675,705)	**6,052,691**	Ref 19 below
General Expenses	(85,965,467)	(16,545,582)	**(102,511,049)**	(97,271,596)	**5,239,453**	Ref 20 below
Total expenditure	**(479,434,127)**	**(35,912,630)**	**(515,346,757)**	**(553,262,820)**	**(37,916,063)**	
Operating deficit	**(9,797,350)**	**4,810,833**	**(4,986,517)**	**(41,594,234)**	**(36,607,717)**	
Gain on disposal of assets and liabilities	3,500,000	-	**3,500,000**	2,304,205	**(1,195,795)**	Ref 21 below
Fair value adjustments	-	-	**-**	(13,381,693)	**(13,381,693)**	Ref 22 below
Inventories losses/write-downs	-	-	**-**	(1,120,243)	**(1,120,243)**	Ref 23 below
	3,500,000	**-**	**3,500,000**	**(12,197,731)**	**(15,697,731)**	
Deficit before taxation	**(6,297,350)**	**4,810,833**	**(1,486,517)**	**(53,791,965)**	**(52,305,448)**	

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(6,297,350)**	**4,810,833**	**(1,486,517)**	**(53,791,965)**	**(52,305,448)**	

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	16,110,765	-	**16,110,765**	7,585,606	**(8,525,159)**	Ref 24 below
Receivables from exchange transactions	12,639,270	-	**12,639,270**	3,779,019	**(8,860,251)**	Ref 25 below.
Receivables from non-exchange transactions	-	-	**-**	1,540,006	**1,540,006**	Ref 26 below.
Consumer debtors	83,542,546	39,182,811	**122,725,357**	37,276,663	**(85,448,694)**	Ref 27 below.
Cash and cash equivalents	(18,237,664)	33,529,365	**15,291,701**	1,499,578	**(13,792,123)**	Ref 28 below
	94,054,917	**72,712,176**	**166,767,093**	**51,680,872**	**(115,086,221)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	72,919,742	-	**72,919,742**	58,873,012	**(14,046,730)**	Ref 29 below.
Investment property	18,529,645	-	**18,529,645**	16,873,100	**(1,656,545)**	Ref 30 below
Property, plant and equipment	1,330,291,499	-	**1,330,291,499**	1,381,583,488	**51,291,989**	Ref 31 below.
Intangible assets	-	-	**-**	246,227	**246,227**	Ref 32 below.
Other financial assets	18,709,578	-	**18,709,578**	382,467	**(18,327,111)**	Ref 33 below
	1,440,450,464	**-**	**1,440,450,464**	**1,457,958,294**	**17,507,830**	
Total Assets	**1,534,505,381**	**72,712,176**	**1,607,217,557**	**1,509,639,166**	**(97,578,391)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	7,296,891	**7,296,891**	Ref 34 below.
Operating lease liability	-	-	**-**	5,275	**5,275**	Ref 35 below
Payables from exchange transactions	56,635,742	-	**56,635,742**	201,987,773	**145,352,031**	Ref 36 below
VAT payable	-	-	**-**	6,376,670	**6,376,670**	Ref 37 below
Consumer deposits	3,404,381	-	**3,404,381**	3,510,222	**105,841**	Ref 38 below
Employee benefit obligation	1,462,995	503,052	**1,966,047**	1,485,909	**(480,138)**	Ref 39 below
Unspent conditional grants and receipts	-	-	**-**	4,126,488	**4,126,488**	Ref 40 below
Bank overdraft	-	10,000,000	**10,000,000**	-	**(10,000,000)**	
	61,503,118	**10,503,052**	**72,006,170**	**224,789,228**	**152,783,058**	
Non-Current Liabilities						
Other financial liabilities	875,000	(248,000)	**627,000**	-	**(627,000)**	Ref 41 below
Employee benefit obligation	-	-	**-**	19,512,984	**19,512,984**	Ref 42 below
Provisions	34,412,070	4,583,588	**38,995,658**	15,595,181	**(23,400,477)**	Ref 43 below
	35,287,070	**4,335,588**	**39,622,658**	**35,108,165**	**(4,514,493)**	
Total Liabilities	**96,790,188**	**14,838,640**	**111,628,828**	**259,897,393**	**148,268,565**	
Net Assets	**1,437,715,193**	**57,873,536**	**1,495,588,729**	**1,249,741,773**	**(245,846,956)**	

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,437,715,193	57,873,536	**1,495,588,729**	1,249,741,773	**(245,846,956)**	

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	30,312,900	(5,089,027)	**25,223,873**	40,351,304	**15,127,431**	Ref 44 belwo
Sale of goods and services	103,119,897	(25,576,979)	**77,542,918**	168,391,615	**90,848,697**	Ref 45 below
Grants	249,278,000	621,706	**249,899,706**	253,694,890	**3,795,184**	Ref 46 below
Interest income	1,783,000	-	**1,783,000**	442,467	**(1,340,533)**	Ref 47 below
Other receipts	35,906,405	(1,855,468)	**34,050,937**	-	**(34,050,937)**	Ref 48 below
	420,400,202	**(31,899,768)**	**388,500,434**	**462,880,276**	**74,379,842**	
Payments						
Employee costs	(140,754,926)	(15,184,246)	**(155,939,172)**	(159,862,871)	**(3,923,699)**	Ref 49 below
Suppliers	(226,384,303)	(19,930,713)	**(246,315,016)**	(225,934,022)	**20,380,994**	Ref 50 below
Finance costs	(265,532)	-	**(265,532)**	(9,476,140)	**(9,210,608)**	Ref 51 below
	(367,404,761)	**(35,114,959)**	**(402,519,720)**	**(395,273,033)**	**7,246,687**	
Net cash flows from operating activities	**52,995,441**	**(67,014,727)**	**(14,019,286)**	**67,607,243**	**81,626,529**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(77,266,000)	(26,339,335)	**(103,605,335)**	(80,748,786)	**22,856,549**	Ref 52 below
Proceeds from sale of property, plant and equipment	3,500,000	-	**3,500,000**	4,664,240	**1,164,240**	Ref 53 below
Purchase of other intangible assets	-	-	**-**	(169,871)	**(169,871)**	
Purchase of financial assets	-	-	**-**	(214,858)	**(214,858)**	Ref 54 below
Net cash flows from investing activities	**(73,766,000)**	**(26,339,335)**	**(100,105,335)**	**(76,469,275)**	**23,636,060**	
Cash flows from financing activities						
Repayment of other financial liabilities	(875,000)	248,000	**(627,000)**	(218,171)	**408,829**	Ref 55 below
Proceeds from other Financial Liabilities	-	-	**-**	6,553,768	**6,553,768**	Ref 56
Net cash flows from financing activities	**(875,000)**	**248,000**	**(627,000)**	**6,335,597**	**6,962,597**	
Net increase/(decrease) in cash and cash equivalents	(21,645,559)	(93,106,062)	**(114,751,621)**	(2,526,435)	**112,225,186**	
Cash and cash equivalents at the beginning of the year	3,408,000	-	**3,408,000**	4,026,017	**618,017**	Ref 57
Cash and cash equivalents at the end of the year	**(18,237,559)**	**(93,106,062)**	**(111,343,621)**	**1,499,582**	**112,843,203**	

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Notes explaining the variances on the statement of comparison of budget and actuals
Statement of Financial Performance

Ref 1 **Service charges-** Revenue is 20% above budget. There has been an improvement in the billing system due to the deployment of meter reading gadgets.
Ref 2 **Agency fees -** The department of Community services and Safety wrote off about eight million which was owed to them. The amount written off was credited to Agency fees and hence the increase of 88%.
Ref 3 **Licenses and permits -** The actuals are 75% above budget. This is due to increased number of cars licensed in the Mkhondo Jurisdiction.
Ref 4 **Rental income -** The variance of 4% is considered immaterial
Ref 5 **Other income -** The budget variance is 7% below budget and is considered immaterial.
Ref 6 **Interest received -** The variance is 1% below budget which is considered immaterial.
Ref 7 **Property rates -** The budget variance is 9% below budget which is immaterial
Ref 8 **Government grants and subsidies -** The budget variance is 1% below budget which is immaterial
Ref 9 **Public contributions and donations -**No income was received during the year
Ref 10 **Fines, Penalties and Forfeits -** There is a budget variance of 310% above budget. More traffic tickets were paid during the year
Ref 11 **Personnel remuneration** - The variance is 0.003% which is immaterial
Ref 12 **Remuneration of councillors -** There is a variance of 18%. This is because of the overlapping of the previous councillors whose term expired when the new councillors were already on board.
Ref 13 **Depreciation and amortisation -** The actual is 7% below budget which is immaterial.
Ref 14 **Finance costs -** The acutal is 3469% above budget. Interest on suppliers was not budgeted for.
Ref 15 **Lease rentals on operating lease -** The variance is 100%. The lease rentals were not separately budgeted for.
Ref 16 **Debt impairment -** The actual is 106% over budget. This is due to an increas in non-performing accounts.
Ref 17 **Repairs and maintenance -** Theactual is 21% above budget. This is because of ageing machinery which regularly needed repairs.
Ref 18 **Bulk purchases -** The actual is 5% above budget. This is because of new electrification projects undertaken by the Municipality and also increases in tariffs by Eskom.
Ref 19 **Transfers and subsidies -** The actual is 47.55% below budget . Less consumers accessed the subsidies than budgeted for.
Ref 20 **General expenses -** The actual is 5% below budget and is considered immaterial.
Ref 21 **Gains on disposal of assets and liabilities -** The actual is 34% below budget. The Municipality did not realise as much as they anticipated from auctions held.
Ref 22 **Fair value adjustments** –The variance is 100%. The line item was not budgted for. However, there had been a huge movement downwards as a result of harvested plantations which were not replenished.
Ref 23 **Inventory losses –** The variance is 100%. The losses were not budgeted for.

Statement of Financial Position
Ref 24 **Inventories –** There is a variance of 54% below budget. The Municipality scaled down on new orders towards the end of the year.
Ref 25 **Receivables from exchange transactions –** The variance is 70%. This was overbudgeted for.
Ref 26 **Receivables from non-exchange transactions –** The variance is 100%. The line item was not budgeted for.
Ref 27 **Consumer debtors –** There is a variance of 70%. This is because of a huge debtors' impairment due to non-performing accounts.
Ref 28 **Cash and cash equivalents –** The variance is 90% below budget. The Municipality had cash constraints during the last quarter of the year.
Ref 29 **Biological Assets –** The negative variance of 19% is because of the timber plantations which were valued downwards.
Ref 30 **Investment property –** The variance which is less than 10% is because of depreciation charge.
Ref 31 **Property, Plant and Equipment –** The variance is 4% which is mainly additions on work in progress.
Ref 32 **Intangible assets** – This was not included in the budget.
Ref 33 **Other financial assets** – The variance is 98%. This budget includes investments which were liquidated during 2015/16 financial year.
Ref 34 **Other financial liabilities** – The variance is 100%. This is a short-term loan from TWK which was not budgeted for.
Ref 35 **Operating Lease Liability** - There is a variance of 100%. The operating lease liability was not seperately budgted for.

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Ref 36 **Payables from exchange transactions –** The variance is 257%. The municipality was facing cash flow challenges at the end of the year to liquidate its current liabilities.
Ref 37 **VAT Payable –** The variance is 100%. No VAT payable position was budgeted for. The municipality scaled down on making payments and hence the VAT payable position.
Ref 38 **Consumer deposit –** The variance is 3% which is immaterial
Ref 39 **Employment benefit obligation –** This variance is 24. The valuation resulted in the reduction of the provision.
Ref **40** **Unspent conditional grant –** The variance is 100%. This was not budgeted for.
Ref41 **Other financial Liabilities** - The variance is 100%. There is no long term portion of other financial liabilities.
Ref 42 **Employee benefit obligation –** The variance is 100%. Budgeted for under provisions
Ref 43 **Provisions –** The variance is 60%. The budget includes employee benefit obligations which are not separately budgeted for.

Cash flow statement
Ref 44 **Taxation –** There is a varince of 60%. The budget is materially understated.
Ref 45 **Sale of goods and services –** There is a variance of 117%. The variance is due to improved collection on current accounts.
R**ef 4**6 **Grants –** The variance is 2% which is immaterial.
Ref 47 **Interest income** – The variance is 75%. Investments upon which interest is earned were liquidated and hence the negative variance
R**ef 4**8 **Other receipts** - The variance is 100%. The actuals have been incorporated under sales of good and services.
R**ef 49** **Employee costs –** The variance of 3% is due to overtime payments
R**ef 50** **Suppliers –** The variance is 8%. Due to cash flow constraints the municipality could not pay off some liabilities
R**ef 5**1 **Finance cost –** The variance is 3469%. The increase is due to interest on overdue accounts.
R**ef 5**2 **Purchases of property**, **plant and equipment –** The Variance is 56%. The actual payments is less than the budget due to cash flow constraints
R**ef 5**3 **Proceeds from sale of property, plant and equipment** – The variance is 1509%. More cash from disposal of assets was realised.
Ref 54 **Purchase of financial assets**- The variance is 0%. The line item was not budgeted for.
Ref 55 **Repayment of other financial lia**bilities –The variance is 153%. The instalment to DBSA for March 2017 was not paid on the due date and was only paid after year end.
R**ef 56** **Proceeds from other Financial Li**abilities - The variance is 0%. This is a loan from TWK which was not budgeted for.
Ref 57 **Cash and cash equivalents at the beginning of the yea**r - The variance is 551%. There was an improvement in the balance of cash and cash equivalents at the end of the period than what was budgeted for.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	44,252,409	-	44,252,409	-		44,252,409	40,351,299		(3,901,110)	91 %	91 %
Service charges	127,376,292	8,663,914	136,040,206	-		136,040,206	163,927,310		27,887,104	120 %	129 %
Investment revenue	11,521,269	5,322,666	16,843,935	-		16,843,935	16,599,564		(244,371)	99 %	144 %
Transfers recognised - operational	174,112,000	1,088,000	175,200,000	-		175,200,000	171,605,604		(3,594,396)	98 %	99 %
Other own revenue	38,608,807	(690,158)	37,918,649	-		37,918,649	43,017,765		5,099,116	113 %	111 %
Total revenue (excluding capital transfers and contributions)	**395,870,777**	**14,384,422**	**410,255,199**	**-**		**410,255,199**	**435,501,542**		**25,246,343**	**106 %**	**110 %**
Employee costs	(132,738,978)	(15,983,417)	(148,722,395)	-	-	(148,722,395)	(148,774,440)	40,788	(52,045)	100 %	112 %
Remuneration of councillors	(14,652,897)	-	(14,652,897)	-	-	(14,652,897)	(12,038,936)	2,521,128	2,613,961	82 %	82 %
Debt impairment	(30,312,900)	-	(30,312,900)			(30,312,900)	(62,362,631)	(32,049,731)	(32,049,731)	206 %	206 %
Depreciation and asset impairment	(75,079,517)	-	(75,079,517)			(75,079,517)	(70,177,996)	3,179,267	4,901,521	93 %	93 %
Finance charges	(265,532)	-	(265,532)	-	-	(265,532)	(9,476,140)	(9,170,355)	(9,210,608)	3,569 %	3,569 %
Materials and bulk purchases	(110,193,920)	(1,500)	(110,195,420)	-	-	(110,195,420)	(115,583,252)	(6,433,978)	(5,387,832)	105 %	105 %
Transfers and grants	(12,728,396)	-	(12,728,396)	-	-	(12,728,396)	(6,675,705)	6,052,692	6,052,691	52 %	52 %
Other expenditure	(103,461,988)	(19,929,213)	(123,391,201)	-	-	(123,391,201)	(142,685,760)	(17,772,042)	(19,294,559)	116 %	138 %
Total expenditure	**(479,434,128)**	**(35,914,130)**	**(515,348,258)**	**-**	**-**	**(515,348,258)**	**(567,774,860)**	**(53,632,231)**	**(52,426,602)**	**110 %**	**118 %**
Surplus/(Deficit)	**(83,563,351)**	**(21,529,708)**	**(105,093,059)**	**-**		**(105,093,059)**	**(132,273,318)**		**(27,180,259)**	**126 %**	**158 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	75,166,000	(233,000)	74,933,000	-		74,933,000	78,481,353		3,548,353	105 %	104 %
Contributions recognised - capital and contributed assets	2,100,000	26,573,000	28,673,000	-		28,673,000	-		(28,673,000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**(6,297,351)**	**4,810,292**	**(1,487,059)**	**-**		**(1,487,059)**	**(53,791,965)**		**(52,304,906)**	**3,617 %**	**854 %**
Surplus/(Deficit) for the year	**(6,297,351)**	**4,810,292**	**(1,487,059)**	**-**		**(1,487,059)**	**(53,791,965)**		**(52,304,906)**	**3,617 %**	**854 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	77,266,000	26,339,000	103,605,000	-		103,605,000	32,470,800		(71,134,200)	31 %	42 %
Sources of capital funds											
Transfers recognised - capital	75,166,000	(233,000)	74,933,000	-		74,933,000	-		(74,933,000)	- %	- %
Internally generated funds	2,100,000	26,573,000	28,673,000	-		28,673,000	-		(28,673,000)	- %	- %
Total sources of capital funds	**77,266,000**	**26,340,000**	**103,606,000**	**-**		**103,606,000**	**-**		**(103,606,000)**	**- %**	**- %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	52,995,441	(67,014,728)	(14,019,287)	-		(14,019,287)	67,607,243		81,626,530	(482)%	128 %
Net cash from (used) investing	(73,766,000)	(26,339,335)	(100,105,335)	-		(100,105,335)	(76,469,277)		23,636,058	76 %	104 %
Net cash from (used) financing	(875,000)	248,000	(627,000)	-		(627,000)	6,335,597		6,962,597	(1,010)%	(724)%
Net increase/(decrease) in cash and cash equivalents	**(21,645,559)**	**(93,106,063)**	**(114,751,622)**	**-**		**(114,751,622)**	**(2,526,437)**		**112,225,185**	**2 %**	**12 %**
Cash and cash equivalents at the beginning of the year	3,408,000	116,636,000	120,044,000	-		120,044,000	4,026,015		(116,017,985)	3 %	118 %
Cash and cash equivalents at year end	**(18,237,559)**	**23,529,937**	**5,292,378**	**-**		**5,292,378**	**1,499,578**		**3,792,800**	**28 %**	**(8)%**

Accounting Policies for the year ended 30 June 2017

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies for the year ended 30 June 2017

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure psets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ byurposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial as 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies for the year ended 30 June 2017

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Offsetting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required by a standard of GRAP or where offsetting reflects the substance of the transaction or the event.

1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Accounting Policies for the year ended 30 June 2017

1.4 Biological assets that form part of an agricultural activity (continued)

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Trees in a plantation forest	indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Accounting Policies for the year ended 30 June 2017

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	2-50 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	2 - 10 years
Office equipment	Straight line	2 - 15 years
Transport assets	Straight line	3-15 years
Electricity equipment	Straight line	30 - 45 years
Electricity cables	Straight line	50 years
Electricity poles	Straight line	30 years
Roads	Straight line	10 - 50 years
Road furniture	Straight line	7 - 50 yers
Street lights	Straight line	25 years
Sewer equipment	Straight line	10 - 50 years
Storm waters	Straight line	20 - 50 years

1.6 Property, plant and equipment (continued)

Water equipment	Straight line	8- 75 years
Infrastructure assets	Straight line	5 years
Work in progress	Straight line	not depreciated
Investment property	Straight line	50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.7 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

Accounting Policies for the year ended 30 June 2017

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

1.8 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies for the year ended 30 June 2017

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Receivables from non exchange transactions
Other receivables1	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
inancial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Financial Liabilities	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies for the year ended 30 June 2017

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies for the year ended 30 June 2017

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Accounting Policies for the year ended 30 June 2017

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies for the year ended 30 June 2017

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies for the year ended 30 June 2017

1.15 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

Accounting Policies for the year ended 30 June 2017

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies for the year ended 30 June 2017

1.25 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.Additional text

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

2. Inventories

Consumable stores	7,228,342	9,073,179
Water	357,264	277,451
	7,585,606	**9,350,630**

Carrying value of inventories carried at fair value less costs to sell	7,585,606	9,350,630

3. Receivables from exchange transactions

Deposits	93,298	93,298
Sundry Debtors	3,685,721	2,463,889
	3,779,019	**2,557,187**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Moody's)		
Baa3	3,779,018	2,557,187

Fair value of trade and other receivables

Trade and other receivables	3,779,018	2,557,187

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, 3,779,018 (2016: 2,557,187) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	3,779,018	2,557,187

4. Receivables from non-exchange transactions

Fines	1,540,006	1,048,875

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of 11,298,833 (2016: 9,214,090) were impaired and provided for.

The amount of the provision was 2,084,743 as of 30 June 2017 (2016: 2,905,904).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(9,214,092)	(6,308,188)
Provision for impairment	(2,084,742)	(2,905,904)
	(11,298,834)	**(9,214,092)**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

5. VAT receivable

SARS - VAT	-	14,253,837

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

6. Consumer debtors

Gross balances		
Rates	57,755,308	44,688,319
Electricity	61,906,109	27,880,560
Water	51,187,283	28,760,915
Sewerage	28,259,552	19,882,983
Refuse	45,836,878	32,148,991
Other	20,774,506	43,368,456
	265,719,636	**196,730,224**

Less: Allowance for impairment		
Rates	(48,754,329)	(38,130,358)
Electricity	(47,856,130)	(19,215,927)
Water	(45,542,351)	(25,456,525)
Sewerage	(24,726,556)	(17,902,684)
Refuse	(42,374,438)	(30,262,682)
Other	(19,189,169)	(37,436,545)
	(228,442,973)	**(168,404,721)**

Net balance		
Rates	9,000,979	6,557,961
Electricity	14,049,979	8,664,633
Water	5,644,932	3,304,390
Sewerage	3,532,996	1,980,299
Refuse	3,462,440	1,886,309
Other	1,585,337	5,931,911
	37,276,663	**28,325,503**

Included in above is receivables from exchange transactions		
Electricity	14,049,979	8,664,633
Water	5,644,932	3,304,390
Sewerage	3,532,996	1,980,299
Refuse	3,462,440	1,886,309
Other	1,585,337	5,931,911
	28,275,684	**21,767,542**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	9,000,979	6,557,961
Net balance	**37,276,663**	**28,325,503**

Rates		
Current (0 -30 days)	1,962,026	1,950,777
31 - 60 days	924,529	520,458
61 - 90 days	621,236	401,998
Over 90 days	5,493,188	3,684,728
	9,000,979	**6,557,961**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

6. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	5,380,516	3,898,063
31 - 60 days	1,497,258	577,091
61 - 90 days	802,594	410,416
91 - 120 days	6,369,611	3,779,063
	14,049,979	**8,664,633**
Water		
Current (0 -30 days)	904,343	772,864
31 - 60 days	377,553	203,192
61 - 90 days	268,874	153,746
91 - 120 days	4,094,162	2,174,588
	5,644,932	**3,304,390**
Sewerage		
Current (0 -30 days)	483,333	485,083
31 - 60 days	239,588	130,784
61 - 90 days	166,543	106,258
91 - 120 days	2,643,532	1,258,174
	3,532,996	**1,980,299**
Refuse		
Current (0 -30 days)	266,673	294,410
31 - 60 days	171,177	96,106
61 - 90 days	138,820	81,627
91 - 120 days	2,885,770	1,414,166
	3,462,440	**1,886,309**
Other (specify)		
Current (0 -30 days)	(575,621)	1,398,399
31 - 60 days	(3,689)	344,684
61 - 90 days	80,524	277,226
91 - 120 days	2,084,123	3,911,602
	1,585,337	**5,931,911**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(168,404,721)	(139,138,993)
Contributions to allowance	(60,038,252)	(29,265,728)
	(228,442,973)	**(168,404,721)**

Fair value of consumer debtors

Consumer debtors	37,276,663	28,325,503

Consumer debtors impaired

As of 30 June 2017, consumer debtors of 228,476,422 (2016: 168,404,720) were impaired and provided for.

The amount of the provision was 60,071,701 as of 30 June 2017 (2016: 29,265,728).

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

6. Consumer debtors (continued)

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	37,276,663	28,325,503

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,541	8,541
Bank balances	240,852	3,555,899
Short-term deposits	1,250,185	461,575
Bank overdraft	-	-
	1,499,578	**4,026,015**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Baa3	5,957,159	3,831,304

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank cheque account 62013126356	4,706,974	3,369,729	939,146	240,852	3,355,899	1,797,391
First National Bank Fixed deposit account 62254274732	250,185	32,891	119,078	250,185	32,891	119,078
First National Bank Public sector account 62242238534	-	-	10,338	-	-	10,338
First National Bank call account 62016967351	1,000,000	428,685	217,389	1,000,000	428,685	217,389
Total	**5,957,159**	**3,831,305**	**1,285,951**	**1,491,037**	**3,817,475**	**2,144,196**

8. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	58,873,012	-	58,873,012	72,264,809	-	72,264,809

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	72,264,809	(13,391,797)	58,873,012

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

8. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	70,794,896	1,469,913	72,264,809

Non - Financial information

Quantities of each biological asset

	2017	2016
Trees in a plantation forest	58,873,012	72,264,809

Total population of plantation area:

- Wattle:	19% (503.5ha)
- Gum:	41% (1098.6ha)
- Pine:	40% (1046.5ha)

Next fair valuation on the plantation will be due on 30 June 2018

Mature biological assets

	2017	2016
Trees in a plantation forest	58,873,012	72,264,809

Pledged and restriction

Certain plantation compartments have been pledged as security for a short term loan from TWK.

Restrictions imposed by regulations

There are no restrictions imposed by regulations on the capacity to sell biological assets for the year under review.

Other information

Methods and assumptions used in determining fair value

Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15 tons/ha/year, pine: 13 tons/ha/year, wattle: 10 tons/ha/year) was used in the evaluation.

Furthermore the municipality used a expert to calculate the fair value of biological assets as at 30 June 2017.

Financial risk strategy

The entity is exposed to financial risks arising from changes in market prices for timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management.

9. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	32,470,800	(15,597,700)	16,873,100	32,502,300	(14,974,400)	17,527,900

Reconciliation of investment property - 2017

	Opening balance	**Disposals**	**Depreciation**	**Total**
Investment property	17,527,900	(31,500)	(623,300)	16,873,100

Reconciliation of investment property - 2016

	Opening balance	**Depreciation**	**Total**
Investment property	18,309,600	(781,700)	17,527,900

Pledged as security

There is no investment property which has been pledged as security:

Additional disclosure relating to Investment property

Investment property Type	2017	2016
- Agricultural	650,000.00	650,000.00
- Business	20,288,060	20,288,060
- Residential	11,366,240	11,366,240
- Vacant land	160,000.00	160,000.00

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	34,595,890	-	34,595,890	35,083,859	-	35,083,859
Buildings	58,222,671	(13,146,413)	45,076,258	58,222,671	(11,969,857)	46,252,814
Infrastructure	2,139,712,105	(1,188,716,250)	950,995,855	2,141,552,672	(1,124,971,411)	1,016,581,261
Community	34,430,198	(9,357,197)	25,073,001	34,430,198	(9,712,594)	24,717,604
Other property, plant and equipment	51,911,881	(39,940,340)	11,971,541	51,507,843	(40,214,307)	11,293,536
Work in progress	313,870,943	-	313,870,943	238,706,327	-	238,706,327
Total	**2,632,743,688**	**(1,251,160,200)**	**1,381,583,488**	**2,559,503,570**	**(1,186,868,169)**	**1,372,635,401**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	35,083,859	-	(487,969)	-	34,595,890
Buildings	46,252,814	-	-	(1,176,556)	45,076,258
Infrastructure	1,016,581,261	-	(1,840,567)	(63,744,839)	950,995,855
Community	24,717,604	-	-	355,397	25,073,001
Other property, plant and equipment	11,293,536	5,584,170	-	(4,906,165)	11,971,541
Work in progress	238,706,327	75,164,616	-	-	313,870,943
	1,372,635,401	**80,748,786**	**(2,328,536)**	**(69,472,163)**	**1,381,583,488**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	46,627,243	-	(1,208,196)	(38,000)	-	(10,297,188)	-	-	35,083,859
Buildings	19,316,796	-	(42,015)	-	23,776,744	4,171,994	(955,822)	(14,883)	46,252,814
Infrastructure	1,033,199,785	986,396	-	-	43,965,888	3,675,122	(65,245,930)	-	1,016,581,261
Community	25,346,287	-	-	-	-	-	(628,683)	-	24,717,604
Other property, plant and equipment	13,985,491	1,871,416	(28,524)	-	-	366,208	(4,913,531)	12,476	11,293,536
Work in progress	96,672,099	209,776,860	-	-	(67,742,632)	-	-	-	238,706,327
	1,235,147,701	**212,634,672**	**(1,278,735)**	**(38,000)**	**-**	**(2,083,864)**	**(71,743,966)**	**(2,407)**	**1,372,635,401**

Pledged as security

There is no property plant and equipment which is pledged as security during the year under review.

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	238,706,327	238,706,327
Additions/capital expenditure	75,164,616	75,164,616
	313,870,943	**313,870,943**

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	96,672,099	96,672,099
Additions/capital expenditure	209,776,860	209,776,860
Other movements [specify]	(67,742,632)	(67,742,632)
	238,706,327	**238,706,327**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	337,121	(90,894)	246,227	167,250	(8,363)	158,887

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	158,887	169,871	(82,531)	246,227

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	167,250	(8,363)	158,887

Pledged as security

There is no intangible asset pledged as security:

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

12. Other financial assets

Designated at fair value		
Listed Shares - Old Mutual: 13093141	344,957	122,194
This is anOld Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868.		
Fixed Deposit - ABSA: 5008322939	7,866	7,404
This is a fixed term investment account with interest capitalised on a three month period. The account was opened on 24 September 1993.		
Fixed Deposit - ABSA: 2056165426	29,644	27,905
This is a fixed term deposit with interest capitalised every three months. The account was opened on 9 March 2004.		
	382,467	**157,503**

Non-current assets		
Designated at held for trading and available for sale	382,467	157,503

13. Other financial liabilities

At amortised cost		
TWK Loan	6,553,768	-
This is a short term loan which was secured in June 2017 and repayable by July 2017. The lon is secured over certain compartments of the Municipality Plantations.		
DBSA Streets Ethanda	238,706	286,621
The loan bears interest at 14% per annum, interest and capital is repaid bi-annually. The loan was secured in 1 October 1995 and the intial maturity date is 30 September 2015.		
DBSA Electricity Ext 7 & 9	504,417	674,673
The loan bears interest at 15% per annum, was secured on 1 October 1997 and matures on 30 September 2017. Interest and capital is repaid bi-annually.		
	7,296,891	**961,294**
Total other financial liabilities	**7,296,891**	**961,294**

Non-current liabilities		
At amortised cost	-	380,425
Current liabilities		
At amortised cost	7,296,891	580,869

14. Operating lease Liability

Non-current liabilities	-	(5,275)
Current liabilities	(5,275)	(57,910)
	(5,275)	**(63,185)**

15. Payables from exchange transactions

Trade payables	160,782,244	133,602,056
13th Cheque accrual	4,452,944	3,617,011
Debtors with negative balances	3,348,055	3,214,199
Sundry creditors	19,271,988	21,548,277
Accrued leave pay	14,132,542	12,981,020
	201,987,773	**174,962,563**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

16. VAT payable

Tax refunds/(payables)	6,376,670	-

17. Consumer deposits

Electricity, Water and Zero consumtion	3,510,222	3,271,552

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement benefit plan

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations (continued)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.
Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Contributions-based Liability: This is the present value of all future post-retirement health care contributions expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside today to cover all expected post-retirement health care contributions (both the employer and continuation members' shares) for the current membership.

Benefits-based Liability: This is the present value of all future post-retirement health care costs expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside in today's terms to cover all expected post-retirement health care benefits payable for the current membership, ignoring what contributions may be payable.

Cross-subsidy Liability: This is the difference between the Benefits-based Liability and the Contributions-based Liability, as defined above. It may be regarded as the amount of money in present-day terms that is expected to flow from other members of the medical scheme(s) in question, to cover the shortfall between post-retirement benefits and contributions payable. These other members are generally in-service members of the employer, and/or of other employers participating in the medical scheme(s).

Past-service and future-service liability: Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date. For example, a 40-year-old in-service member with 15 years of service and an expected retirement age of 60 has a total potential service of 35 years. In this case, assuming that the member "earns" an equal share for each year of service, the past-service liability assumed to have accrued at the valuation date, is then 15/35 of the total liability. The future service liability is the difference between the total liability and the past-service liability. The current service cost for the following year is determined as the amount assumed to accrue to the member over the next 12 months. In this example, this amounts to 1/35 of the total liability.

Given the process described above, the liability in respect of current continuation members may be regarded as fully accrued, and is therefore not split between a past-service (or accrued) and future-service element.

It should be noted that, in cases where the employer continues to pay a health care subsidy to the widow[er] and/or children of employees who die while in service, there is a liability contingent upon the death of an employee prior to retirement. This so-called Death-in-service Liability would be regarded as a post-employment liability under the requirements of GRAP 25.

Accrued Liability: In defining what liability the employer should focus on for accounting purposes, a sensible starting point is the value of the employer's share of the Contributions-based Liability. This is based on the subsidy policy in question, whether it is defined via contracts of employment or established practice.

Cross-subsidy Liability: The employer's share of the Cross-subsidy Liability (as defined above) may in certain circumstances be regarded as a contingent liability of the employer. For example, should the law governing medical schemes be changed in future to allow for age-based contribution rates. This potential liability has not been evaluated as part of this exercise.

Unfunded Accrued Liability: This is the difference between the Accrued (or past-service) Liability and the value of any off-balance sheet assets that have been accumulated specifically by the employer to provide for its post-retirement health care liabilities.
Sensitivity Analysis

7.1 Introduction

18. Employee benefit obligations (continued)

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

7.2 Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed rate of health care cost inflation;
(ii) A 1% increase and decrease in the discount rate;
(iii) A one-year age reduction in the assumed rates of post-retirement mortality;
(iv) A one-year decrease in the assumed average retirement age; and
(v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Table 7.1 summarises the results of the sensitivity analysis.

Table 7.1: Sensitivity Analysis on the Accrued Liability (R Millions)

Assuption	Change	In-service	Continuation	Total	%Change
Central Assumptions		2.753	8.872	11.624	
Health care inflation	1%	3.147	9.010	12.157	5%
	-1%	2.327	8.658	10.984	-6%
Discount Rate	1%	2.275	8.200	10.475	-10%
	-1%	3.359	9.648	13.006	12%
Post-retirement mortality	-1 yr	2.847	9.180	12.027	3%
Average retirement age	-1 yr	3.021	8.872	11.892	2%
Continuation of membership at retirement	-10%	1.878	8.872	10.750	-8%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer. The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 13% higher than that shown.

The table above indicates, for example that the if medical inflation is 1% greater than the long term assumption made, the liability will be 5% higher than that shown.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations (continued)

Table 7.2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2017.

Assumption change	Change	Current-service Cost	Interest Cost	Total	%
	-				
Central Assumptions		143,900	1,112,500	1,256,400	
Health care inflation	+1%	163,800	1,169,800	1,333,600	6%
	-1%	123,000	1,047,700	1,170,700	-7%
Discount rate	+1%	120,200	1,105,400	1,225,600	-2%
	-1%	174,000	1,115,600	1,289,600	3%
Post-retirement mortality	-1 yr	149,200	1,156,100	1,289,600	-4%
Average retirement age	-1 yr	154,000	1,135,300	1,289,300	3%
Continuation of membership at retirement	-10%	102,500	1,015,700	1,118,200	-11%

These figures were derived at the last valuation and were also presented in that report.

Table 7.3 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2087.

Assumption change	Change	Current-service Cost	Interest Cost	Total	%
Central Assumptions		104,500	1,030,000	1,134,500	
Health care inflation	+1%	119,400	1,078,800	1,198,200	6%
	-1%	88,400	971,500	1,198,200	-7%
Discount rate	+1%	87,000	1,025,300	1,112,300	-2%
	-1%	126,700	1,030,800	1,157,500	2%
Post-retirement mortality	-1 yr	108,100	1,067,000	1,175,100	4%
Average retirement age	-1 yr	114,800	1,054,700	1,169,500	3%
Continuation of membership at retirement	-10%	71,600	949,800	1,021,400	-10%

Long service awards

18. Employee benefit obligations (continued)

Introduction
In estimating the unfunded liability for LSA of Mkhondo Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates). This appendix reviews the most important of these assumptions.

Financial Assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

Consequently, a discount rate of 8.65% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.65%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee’s salary at the date of the award.
The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.
General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.39% was obtained from the differential between market yields on index-linked bonds (1.65%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.65) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.65%-0.50%)/(1+1.65%))-1.

Thus, a general salary inflation rate of 7.39% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 1.17%.

It has been assumed that the next salary increase will take place on 1 July 2017t

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-Post employment medical benefit-wholly unfunded	(11,624,307)	(12,619,145)
Present value of the defined benefit obligation-LSA - wholly funded	(9,374,586)	(9,416,699)
	(20,998,893)	**(22,035,844)**

Non-current liabilities	(19,512,984)	(20,069,797)
Current liabilities	(1,485,909)	(1,966,047)
	(20,998,893)	**(22,035,844)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	22,035,844	21,241,939
Net expense recognised in the statement of financial performance	(1,036,951)	793,905
	20,998,893	**22,035,844**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1,219,699	1,058,687
Interest cost	1,877,703	1,765,987
Actuarial (gains) losses	(2,168,306)	(920,062)
Expected employer benefit vestings	(1,966,047)	(1,110,707)
	(1,036,951)	**793,905**

Post Employment Medical Benefits

The amounts recognised in the statement of financial position is as follows:

Present value of defined benefit obligation- wholly funded	(11,624,307)	(12,619,145)

Non current liabilities	(10,798,757)	(11,813,501)
Current liabilities	(825,550)	(805,644)
	(11,624,307)	**(12,619,145)**

Net expense recognised in the statement of financial perfomance

Current service cost	143,947	139,637
Interest cost	1,112,486	1,172,256
Actuarial (gains)/losses	(1,445,627)	(1,792,256)
Expected Employer Benefit Payments	(805,644)	(758,964)
	(994,838)	**(1,239,327)**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

18. Employee benefit obligations (continued)

Long Service Awards

The amounts recognised in the statement of financial position are as follows:		
Present value of defined benefit obligation - wholly funded	(9,416,699)	(9,416,699)

Current liabilities	(660,359)	(1,160,403)
Non current liabilities	(8,714,227)	(8,256,296)
	(9,374,586)	**(9,416,699)**

Net expense recognised in the statement of financial performance		
Current service cost	1,075,752	919,050
Interest expense	765,217	593,731
Actuarial losses	(722,679)	872,922
Expected Employer Benefit Vestings	(1,160,403)	(351,743)
	(42,113)	**2,033,960**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Local goverment sector education and training authority	126,488	518,556
Integrated National Electrification Programme	4,000,000	-
	4,126,488	**518,556**

Movement during the year

Balance at the beginning of the year	518,556	333,005
Additions during the year	85,903,985	206,003,975
Income recognition during the year	(82,296,053)	(205,818,424)
	4,126,488	**518,556**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

20. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation provision	16,959,814	(1,364,633)	15,595,181

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation provision	12,111,956	4,847,858	16,959,814

Environmental rehabilitation provision

Financial assumptions used
Unit costs

Unit costs for each of the cost elements are obtained annually by means of commercial quotation.

CPI
The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the General Landfill Closure costing Model (GLCCM) is based on the three month average CPI for the quarter that includes the financial year end. The average of the CPI for the last three months amounted to 5.6372%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used as published on the RSA Retail Savings Bond website www.rsaretailbonds.gov.za. The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year end date was used. In the case of this landfill the rate associated with the maximum available period of 10 years was used, i.e. 2.5% above CPI.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

21. Revenue

Service charges	163,927,310	120,785,386
Agency services	12,155,307	9,743,260
Licences and permits	115,639	31,508
Rental income	751,153	758,391
Other income	24,664,148	24,105,325
Interest received	16,599,564	11,687,746
Property rates	40,351,299	34,003,480
Government grants & subsidies	250,086,957	359,330,080
Public contributions and donations	-	12,642,184
Fines, Penalties and Forfeits	3,017,209	3,779,036
	511,668,586	**576,866,396**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	163,927,310	120,785,386
Agency services	12,155,307	9,743,260
Licences and permits	115,639	31,508
Rental income	751,153	758,391
Other income	24,664,148	24,105,325
Interest received - investment	16,599,564	11,687,746
	218,213,121	**167,111,616**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	40,351,299	34,003,480
Transfer revenue		
Government grants & subsidies	250,086,957	359,330,080
Public contributions and donations	-	12,642,184
Fines, Penalties and Forfeits	3,017,209	3,779,036
	293,455,465	**409,754,780**

22. Service charges

Sale of electricity	121,224,200	89,281,225
Sale of water	23,560,984	15,090,592
Sewerage and sanitation charges	9,152,886	7,702,908
Refuse removal	9,989,240	8,710,661
	163,927,310	**120,785,386**

23. Investment revenue

Interest received		
Bank	442,467	1,028,297
Interest charged on trade and other receivables	16,157,097	10,659,449
	16,599,564	**11,687,746**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

24. Other income

Timber sales	22,291,297	17,421,308
Cemetery fees	-	131,886
Photo copies	288,607	563,236
Sundry income	-	87,200
Sale of refuse bins	-	269,761
Sub-division of stands	-	59,836
Building and clearance certificates	35,639	24,225
Administration costs	13,697	20,272
Commission income	200,152	196,906
Advertising	67,679	81,908
Escourting fees	1,233,440	1,125,545
Fund raising	1,651	150
Other revenue	531,986	4,123,092
	24,664,148	**24,105,325**

25. Property rates

Rates received

Residential	18,965,037	17,511,472
Commercial	11,302,902	10,069,592
State	7,813,050	6,180,042
Small holdings and farms	8,137,949	7,356,161
Less: Income forgone	(5,867,639)	(7,113,787)
	40,351,299	**34,003,480**

Valuations

Residential	2,581,461,403	2,581,461,403
Commercial	944,277,930	944,277,930
State	428,729,760	428,729,760
Municipal	346,549,400	346,549,400
Small holdings and farms	3,910,291,256	3,910,291,256
Vacant Land	200,824,716	200,824,716
Other	6,925,000	6,925,000
	8,419,059,465	**8,419,059,465**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Transfers and subsidies

Other subsidies		
Equitable share	6,675,705	1,990,225
Expanded Public Works Programme Incentive Grant	-	1,939,527
	6,675,705	**3,929,752**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

27. Government grants and subsidies

Operating grants		
Equitable share	166,348,627	153,190,000
Municipal systems improvment grant	-	930,000
Finance management grant	1,810,000	1,675,000
Local goverment sector education and training authority	994,977	151,917
Expanded public works programme incentive grant	2,452,000	2,348,000
Integrated national electrification programme	-	10,000,000
	171,605,604	**168,294,917**

Capital grants		
Municipal Infrastructure grant	74,666,000	81,668,000
Human Settlement grant	-	100,000,000
GSDM grant	3,815,353	9,367,163
	78,481,353	**191,035,163**
	250,086,957	**359,330,080**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	82,422,541	206,140,080
Unconditional grants received	166,348,627	153,190,000
	248,771,168	**359,330,080**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant (MIG)

Current-year receipts	74,666,000	81,668,000
Conditions met - transferred to revenue	(74,666,000)	(81,668,000)
	-	**-**

The municipality has outstanding projects relating to Municipal Infrastructure Grant funding which are yet to be completed. The conditions of the projects are directly in-line with the DORA requirements. The Municipality has committed the unspent portion of the Grant to projects.
The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.
An amount of R74 666 000 (2016- R81 668 000) of the Municiapl Infrastructure Grant was expended on Infrastructure capital projects.

Municipal systems improvement grant (MSIG)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

27. Government grants and subsidies (continued)

The Municipal Systems Improvement Grant is a conditional Grant directed to selected Local Municipalities. The purpse of the Grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry mandated functions effectively.
An amount of R0 (2016- R934,000) of the Municipal Improvement System Grant was expended during the year.

Financial management grant (FMG)

Current-year receipts	1,810,000	1,675,000
Conditions met - transferred to revenue	(1,810,000)	(1,675,000)
	-	-

The purpose of the FMG Iis to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.
An amount of R1 810 000 (2016 - R1 675 000) was used during the period.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

27. Government grants and subsidies (continued)

Local goverment sector education and training authority

Balance unspent at beginning of year	518,556	333,005
Current-year receipts	602,909	337,469
Conditions met - transferred to revenue	(994,977)	(151,918)
	126,488	**518,556**

Conditions still to be met - remain liabilities (see note 19).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy lll period (2011-2016).
The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy lll (NSDS lll) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce.Provide explanations of conditions still to be met and other relevant information.
An amount of R994 977 (2016 - R151 918) was expended during the year.

Integrated national electrification programme

Current-year receipts	4,000,000	10,000,000
Conditions met - transferred to revenue	-	(10,000,000)
	4,000,000	**-**

Conditions still to be met - remain liabilities (see note 19).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Intergrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.
An amount of R0 (2016 - R10 000 000) was expended during the period.

Expanded public works programme incentive grant

Current-year receipts	2,452,000	2,348,000
Conditions met - transferred to revenue	(2,452,000)	(2,348,000)
	-	-

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent jobs.
An amount of R2 452 000 (R2 348 000) was used during the period

Human settlement grant

Current-year receipts	-	100,000,000
Conditions met - transferred to revenue	-	(100,000,000)
	-	-

The Human Settlement Grant was provided by the Mphumalanga Provincial Government through its department for Human Setement. The purpose of the Grant was for the provision of Bulk Water infrastructure pipesin the Mkhondo Local Municipality. No grant was received during the year under review.

Figures in Rand	2017	2016

27. Government grants and subsidies (continued)

GSDM grant

Current-year receipts	2,499,564	9,367,163
Conditions met - transferred to revenue	(2,499,564)	(9,367,163)
	-	-

The amount received during the year was reimbursement of expenses incurred in certain of the Municipality projects.

28. Public contributions and donations

Public contributions and donations 1	-	12,642,184

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

29. Employee related costs

Basic	90,822,297	82,549,895
Bonus	8,761,068	7,385,339
Medical aid contributions	6,482,232	2,586,090
Unemployment insurance fund contributions	837,330	720,370
WCA	568	-
Employee benefit plan	-	2,033,960
Pension fund contributions	17,023,155	15,069,287
Subsistence and other allowances	3,909,535	2,932,459
Overtime payments	11,128,962	7,367,470
Long-service awards	-	103,659
Housing benefits and allowances	2,131,758	2,138,798
Standby	7,023,169	5,300,948
Shift allowance	654,366	553,153
	148,774,440	**128,741,428**

Additional disclosures

Listed below are employee costs for key employees. The remuneration is included in the employee costs disclosed above.

Remuneration of municipal manager

Annual Remuneration	66,592	-
Car Allowance	13,600	-
	80,192	**-**

Mr. M. Kunene is the Municipal Manager. He served one month of June 2017.t

Remuneration of municipal manager

Annual Remuneration	1,200,085	868,860
Car Allowance	269,681	67,278
Performance Bonuses	-	241,531
Contributions to UIF, Medical and Pension Funds	63,784	117,524
Leave	446,161	-
	1,979,711	**1,295,193**

Mr M. Mabuza served for six months to December 2016.

Remuneration of Chief finance officer

Annual Remuneration	573,758	685,906
Car Allowance	215,495	210,158
Performance Bonuses	-	91,133
Contributions to UIF, Medical and Pension Funds	111,039	109,705
	900,292	**1,096,902**

Remuneration of executive directors

Annual Remuneration	984,204	912,445
Car Allowance	287,731	293,739
Performance Bonuses	-	70,163
Contributions to UIF, Medical and Pension Funds	187,877	154,244
	1,459,812	**1,430,591**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

29. Employee related costs (continued)

Mr. A.N. Mahlangu served for the twelve months to 30 June 2017

General manager - Corporate services

Annual Remuneration	720,720	666,451
Car Allowance	186,657	175,131
Performance Bonuses	-	54,680
Contributions to UIF, Medical and Pension Funds	174,455	145,357
	1,081,832	**1,041,619**

Mr. M.J. Mkhonza served for twelve months to 30 June 2017.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

29. Employee related costs (continued)

General manager - Technical services

Annual Remuneration	669,368	197,371
Car Allowance	213,605	88,000
Contributions to UIF, Medical and Pension Funds	114,792	42,927
	997,765	**328,298**

Ms Mathebula served for the full year to June 2017.

General manager - Community Services

Annual Remuneration	760,167	703,282
Car Allowance	214,916	121,600
Performance Bonuses	-	54,680
Contributions to UIF, Medical and Pension Funds	186,317	157,597
	1,161,400	**1,037,159**

Mr A. Nkonyane served for twelve months to June 2017.

30. Remuneration of councillors

Executive Major	802,560	784,814
Chief Whip	618,098	-
Speaker	565,601	635,632
Councillors salaries	9,177,199	10,941,939
Councillors pension contribution	875,478	724,089
	12,038,936	**13,086,474**

Additional information

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

31. Depreciation and amortisation

Property, plant and equipment	69,472,164	71,743,966
Investment property	623,300	546,700
Intangible assets	82,532	8,363
	70,177,996	**72,299,029**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

32. Impairment loss

Impairments		
Property, plant and equipment	-	275,406
Other receivables from non-exchange revenue	-	2,905,904
	-	**3,181,310**

An amendedment to IGRAP 1, require the Mkhondo Local Municipality to account for Traffic Fine Income on the accrual basis.
The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23), requires that revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.
IGRAP 1 clarifies that an entity should recognise the full amount of revenue at the transaction date when there is uncertainty about the entity's ability to collect such revenue based on past history, as the entity has an obligation to collect all revenue due to it.
Entities should not consider or assess the probability of collecting revenue at the transaction date because this is a subsequent measurement event. Subsequent to initial recognition and measurement, an entity should assess the collectability of the revenue and recognise an impairment loss where appropriate.
The municipality therefore accounted for each fine issued on the accural basis, however the probabilty was assessed and it was found that the current year cash received from fines related to less than 10% of fines issued. Therefore the receivable created was impaired.

33. Finance costs

Trade and other payables	9,180,975	7,660,673
Current borrowings	295,165	190,412
Other interest paid	-	4,847,858
	9,476,140	**12,698,943**

34. Debt impairment

Debt impairment	62,362,631	29,265,729

35. Bulk purchases

Electricity	113,382,659	98,758,626
Water	2,200,593	2,538,431
	115,583,252	**101,297,057**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

36. General expenses

Advertising	1,149,838	821,676
Auditors remuneration	3,203,612	3,550,697
Bank charges	915,150	1,100,947
Cleaning	-	2,803,199
Commission paid	185,826	-
Consulting and professional fees	25,986,684	25,525,027
Consumables	11,784,392	1,848,422
Donations	-	13,368,438
Entertainment	21,875	548,683
Insurance	5,609,764	5,732,733
Community development and training	946,539	1,490,023
Election expenses	-	58,977
Motor vehicle expenses	-	63,600
Placement fees	-	42,829
Productions	-	82,765
Printing and stationery	2,250	3,091,417
Protective clothing	3,505,102	2,566,009
Security	14,994,597	15,272,123
Staff welfare	-	35,451
Subscriptions and membership fees	1,178,619	1,935,283
Telephone and fax	3,113,757	2,443,043
Subsistence and travel	10,307,033	3,298,490
Training	3,046,697	1,423,001
Electricity	-	552,014
Water	-	226,415
VAT assessment	11,319,861	-
Other expenses	-	64,848
	97,271,596	**87,946,110**

37. Fair value adjustments

Biological assets - (Fair value model)	(13,391,797)	1,469,913
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	10,104	(406,987)
	(13,381,693)	**1,062,926**

38. Auditors' remuneration

Fees	3,203,612	3,550,697

39. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	382,467	-	382,467
Trade and other receivables from exchange transactions	-	3,779,019	3,779,019
Other receivables from non-exchange transactions	-	1,540,006	1,540,006
Consumer debtors	-	37,276,663	37,276,663
Cash and cash equivalents	1,499,578	-	1,499,578

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

39. Financial instruments disclosure (continued)

	1,882,045	**42,595,688**	**44,477,733**

Financial liabilities

	At amortised cost	Total
Operating lease	5,275	5,275
Other financial liabilities	7,296,891	7,296,891
Trade and other payables from exchange transactions	201,987,773	201,987,773
VAT Payable	6,376,670	6,376,670
Consumer deposits	3,510,222	3,510,222
Unspent grants	4,126,488	4,126,488
	223,303,319	**223,303,319**

2016

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	157,503	-	157,503
Trade and other receivables	-	2,557,187	2,557,187
Other recivables from non exchange transactions	-	1,048,875	1,048,875
Consumer debtors	-	28,325,503	28,325,503
Cash and cash equivalents	4,026,015	-	4,026,015
VAT	-	14,253,837	14,253,837
	4,183,518	**46,185,402**	**50,368,920**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	961,295	961,295
Trade and other payables from exchange transactions	174,962,562	174,962,562
Consumer deposits	3,271,552	3,271,552
Unspent consitional grants	518,556	518,556
Operating lease liability	63,185	63,185
	179,777,150	**179,777,150**

40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited to the Municipality's management thereof.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function.The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality management of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	7,296,891	-	-	-
Trade and other payables	216,006,428	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	580,869	380,425	-	-
Trade and other payables	180,776,627	37,034,886	-	-

40. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk. Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2017**	**2016**
Investments	382,467	157,503
Receivables from non exchange transactions	1,540,006	1,048,875
Receivables from exchange transactions	3,779,019	2,557,187
Cash and bank balances	1,499,578	4,026,015
Consumer debtors	37,726,663	28,325,503

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.To decrease interest rate risk exposure, investments is mostly done on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions

Cash flow interest rate risk

Financial instrument	**Current interest rate**	**Due in less than a year**	**Due in one to two years**	**Due in two to three years**	**Due in three to four years**	**Due after five years**
Trade and other receivables - normal credit terms	11.5%	37,276,663	-	-	-	-
Cash in current banking institutions	Tiered	1,491,037	-	-	-	-
Other financial assets		-	382,467	-	-	-
Borrowings		7,296,891	-	-	-	-

40. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance /with the limits set by the municipality. The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

41. Going concern

Financial Trend Analysis

Operating (deficit)/Surplus

	30 June 2017	30 June 2016
(Deficit)/Surplus for the year	(53,791,965)	83,734,335

Net Asset Values

	30 June 2017	30 June 2016
Net Asset Values	1,249,741,773	1,303,553,739

Based on the 2017/18 Annual Budget submitted to treasury, the losses have now been accounted for and the A1 schedule submitted do not indicate a financial loss.

Working Capital

Although net working capital has increased to (R173,070,846), the significant increase is due to ESKOM, Department of Community Safety Security and Department of Water Affairs debts which had a combined amount of R122,383,948 as at 30 June 2017. The Municipality is negotiating with ESKOM to settle the debt over time to ensure that service delivery is not hindered.

Cash flows for the Financial Year

Notes to the Annual Financial Statements for the year ended 30 June 2017

41. Going concern (continued)

	30 June 2017	30 June 2016
Net (decrease)/increase in cash and cash equivalents	(2,526,437)	1,873,648

There has been a minimal decrease in the cash and cash equivalents at year end. This is attributed to poor collection rate as exemplified by a huge provision of consumer debtor's impairment

Financial Rations

Liquidity Ratios

	30 June 2017	30 June 2016
Current ration	0.23	0.33
Quick Ratio	0.20	0.28
Defensive Interval Days	38.26	47.48

Activity Ratios

	30 June 2017	30 June 2016
Accounts Receivable Turnover	6.23	5.96
Days Sales in Receivables	65.7	65.7
Asset Turnover	0.34	0.39
Financial Leverage Index	1.21	1.17

Based on the above ratios, although the Municipality is incurring losses that no negative ratios exists.

Other trends

The Municipality has not defaulted on any loan arrangements for the year.

No creditors have cancelled any credit terms with the Municipality

The Municipality did not seek additional financial assistance during the year

The Municipality did not sell any significant assets during the year to increase its cash flows.

The Municipality did not require any debt restructuring or special payment terms.

No foreseeable labour matters have occurred and are planned to occur during the next 12 months.

The Municipality has no long-term commitments except those disclosed in note 50.

No need was identified during the past 12 months and the following 12 months to restructure the operations of the Municipality.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

41. Going concern (continued)

External Matters

No key suppliers were lost during the financial year

No contingencies exist at year end which could doubt the ability of the municipality to continue with operations for the foreseeable future.

Government funding

Based on the DoRa allocation for the 2017/18 financial year, Treasury will continue with its approved Operational and Conditional Grants for the Municipality.

Conclusion

Based on all the above matters stated factually, it is clear that the Municipality will continue as a going concern for the next 12 months.

42. Unauthorised expenditure

Opening balance	399,737,398	351,527,420
Unauthorised expenditure	55,100,011	48,209,978
	-	-
	454,837,409	**399,737,398**

The amount of R399 737 398 relating to prior years is under investigation by MPAC.

43. Fruitless and wasteful expenditure

Opening balance	32,753,379	25,092,706
Penalties, interest and other	8,822,975	7,660,673
Less: Amount written off	-	-
	41,576,354	**32,753,379**

Fruitless and wasteful expenditure of R32 753 379 relating to prior years is under investigation by MPAC.

The following fruitless and wasteful expenditure occurred during the year

ESKOM	8,700,540	6,100,830
Balju Sherif	-	468,888
Department of Water Affairs	-	1,046,176
Auditor General South Africa	25,783	13,380
Telkom	14,865	28,775
SARS	39,530	-
Sharp Connector	39,239	-
Nashua	3,018	2,623
	8,822,975	**7,660,672**

44. Irregular expenditure

Opening balance	289,833,327	134,395,703
Add: Irregular Expenditure - current year	86,744,482	5,737,962
Additional - identified in current year relating to 2015/16 financial year	-	149,699,662
	376,577,809	**289,833,327**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

44. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	86,744,482	5,737,962
Prior years	289,833,327	134,395,703
	376,577,809	**140,133,665**

45. Additional disclosure in terms of Municipal Finance Management Act

Material losses

2017

Electricity losses for the current year amounted to 20% i.e. R22,591,918. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non-revenue water i.e. non billed water amounted to 6% i.e. R129 203.93. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

2016

Electricity losses for the current year amounted to 31% i.e. R30,130,496. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Non-revenue water i.e. non billed water amounted to 30% i.e. R759 363. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	(499,521)	1,775,915
Current year subscription	3,203,612	3,550,697
Current year VAT on invoices raised	454,069	-
Current year interest charged	49,400	-
Amount paid - current year	(3,628,691)	(5,826,133)
Opening balance correction	534,082	-
	112,951	**(499,521)**

PAYE and UIF

Opening balance	1,697,672	1,167,804
2015 opening balance	-	122,840
Current year subscription	24,275,727	18,546,527
Amount paid	(25,973,399)	(18,139,499)
	-	**1,697,672**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	1,978,773	2,190,464
Current year subscription / fee	34,868,192	30,132,711
Amount paid - current year	(36,846,965)	(30,344,402)
	-	**1,978,773**

VAT

VAT receivable	-	14,253,837
VAT payable	6,376,670	-
	6,376,670	**14,253,837**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. V.M. Motha	592	-	592
Cllr. Z. Mnisi	5,920	-	5,920
Cllr. M.D. Ntuli	1,799	-	1,799
Cllr. D.M. Ntshakala	2,277	-	2,277
Cllr. F.C. Mthetwa	1,303	-	1,303
Cllr. N.N Zulu	10,152	-	10,152
Cllr. S.C. Mahlobo	3,066	-	3,066
Cllr. B.M. Khumalo	82,876	-	82,876
Cllr. S.Z. Yende	806	-	806
Cllr. T.B. Nkosi	176	-	176
Cllr. S.E. Mntshali	3,517	-	3,517
Cllr. J.P. Makhathini	3,431	-	3,431
Cllr. D.L. Ngobese	1,851	-	1,851
	117,766	**-**	**117,766**

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. P.C. Langa	(119)	-	(119)
Cllr. V.D. Nkosi	(3,449)	-	(3,449)
Cllr. Z.E. Mthimkhulu	1,867	-	1,867
Cllr. S.J. Mathula	230	-	230
Cllr. S.R. Sangweni	6,457	-	6,457
Cllr. L.V. Mkwananzi	11,255	-	11,255
Cllr. Z. Mnisi	8,155	-	8,155
Cllr. M.O.Nkosi	1,340	-	1,340
Cllr. S.E. Nhleko	585	-	585
Cllr. J.L. Brussow	29,235	-	29,235
Cllr. L. Bosch	2,597	-	2,597
Cllr. H.A. Mncube	11,303	-	11,303
Cllr. B.H. Mtshali	(1,459)	-	(1,459)
Cllr. N.C. Ndhlovu	(16,421)	-	(16,421)
Cllr. M.D. Ntuli	(197)	-	(197)
Cllr. J.M. Phakathi	(2,329)	-	(2,329)
	49,050	**-**	**49,050**

The Councillors' arrear accounts are in respect of services rendered by the Municipality to the Councillors in the normal course of business. The services were rendered on terms and conditions within the normal operating parameters established by the Municipality. The Arrear accounts are unsecured, and are subject to the normal credit policy as applied to every other Consumer debtor

Notes to the Annual Financial Statements for the year ended 30 June 2017

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

A register of deviations is kept at the Municipal Manager's office and is available for inspection.

The following deviations occured during the financial year.

NO.	SERVICE PROVIDER	SERVICE DESCRIPTION	CONTRACT PRICE	PROCUREME NT DATE	JUSTIFICATION REASON FOR DEVIATION
1	STUCKY MOTORS	SERVICE OF MERCEDES BENZ DNC 871 MP	R 8,543.05	27/01/2017	Only one Mercedes Benz accredited dealer in Mkhondo and it wasn't prudent to send the vehicle to multiple service providers for inspection and quotation. MFMA SCM Regulation 36(1)(ii)(v)
2	STUCKY MOTORS	Service of a Mercedes Benz, FLR 959 MP	R 10,054.40	08/02/2017	Only one Mercedes Benz accredited dealer in Mkhondo and imprudent to send the vehicle to multiple service providers for inspection and quotation. MFMA SCM Regulation 36 (1)(ii)(v)
4	TWK TOYOTA PIET RETIEF	Repair of Mahindra Bakkie, FZJ 579 MP	R 5,402.70	23/02/2017	TWK only accredited Mahindra dealer in Piet Retief. Deviation from normal SCM procurement procedures in terms of SCM Regulations 36 (1)(i)(ii) and (v) and in terms of SCM policy
5	Sorenso Trading	Repair of Colt Bakkie, DGY 652 MP	R 6,463.75	23/02/2017	Vehicle breakdown, Impractical to send the vehicle to multiple service providers for inspection (strip) and quotation. MFMA SCM Regulation 36 (1)(i)(v)
6	SMITH TPT	23981	3941.4	23/02/2017	Only one Service provider could strip, quote and provide the service. Impractical to send the vehicle to multiple service providers for stripping and quotation. MFMA SCM Regulation 36 (1)(v)
7	Media 24	Advertising vacancy on City Press	R 27,360.00	09/02/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
8	Ermelo MAN Truck	Servicing of MAN Truck, DYP 515 MP	R 11,247.00	22/03/2017	Ermelo MAN Truck is the only accredited Service provider around, work requires strip and quote. Impractical to send the vehicle to multiple service providers for stripping and quotation. MFMA SCM Regulation 36 (II)(v)

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

46. Deviation from supply chain management regulations (continued)

9	Botex Panel beaters	Third Party Vehicle Repairs	R 20,520.00	10/04/2017	Works requires strip and quote. Impractical to send the vehicle to multiple service providers for stripping and quotation. MFMA SCM Regulation 36 (II)(v)
10	Times Media	Tender Advert	R 10,998.72	11/04/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
11	Times Media	Advert Vacancy	R 25,786.80	24/04/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
12	TWK Toyota	Repairs HLX 427 MP	R 2,527.42	10/05/2017	Only one Toyota accredited dealer in Mkhondo and it was imprudent to send the vehicle to multiple service providers for inspection and quotation. MFMA SCM Regulation 36(1)(ii)(v)
13	TWK Toyota	Water Pump Repairs FZJ579MP	R 6,752.60	31/05/2017	Only one Toyota accredited dealer in Mkhondo and it was imprudent to send the vehicle to multiple service providers for inspection and quotation. MFMA SCM Regulation 36(1)(ii)(v)
14	Times Media	Tender Advert	R 10,998.72	06/06/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
15	Media 24	Advert: Vacancy	R 57,456.00	12/05/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
16	Media 24	Advert: Vacancy Corporate	R 45,964.80	14/06/2017	Emergency and impractical to get more than one quote since there are few service providers with a Sunday circulation. MFMA SCM Regulation 36 (1) and (v)
17	TWK TOYOTA	FZJ579MP	R 12,471.08	13/06/2016	Only one Toyota accredited dealer in Mkhondo and it was imprudent to send the vehicle to multiple service providers for inspection and quotation. MFMA SCM Regulation 36(1)(ii)(v)
		TOTAL AMOUNT	R 266,488.44		

Notes to the Annual Financial Statements for the year ended 30 June 2017

47. New standards and interpretations

47.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

47.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2019	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements for the year ended 30 June 2017

47. New standards and interpretations (continued)

47.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Unlikely there will be a material impact

48. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	-	859,431
Motor vehicles		
• Contractual amounts	1,060,394	-
Equipment		
• Contractual amounts	447,502	2,886,497
Lease rentals on operating lease - Other		
• Contractual amounts	4,153,853	-
	5,661,749	**3,745,928**

Gain on sale of property, plant and equipment	-	151,579
Gain on sale of other asset	2,304,205	-
Impairment on property, plant and equipment	-	275,406
Impairment of other receivables from non-exchange transactions	-	2,905,904
Amortisation on intangible assets	82,532	8,363
Depreciation on property, plant and equipment	69,472,164	71,743,966
Depreciation on investment property	623,300	546,700
Employee costs	160,813,376	141,827,902

Minimum lease payments

The disclosed payments also include payments for non-lease elements in the arrangement.

49. Cash Flows from Operating Activities

Surplus/(deficit)	(53,791,965)	83,734,335
Adjustments for:		
Depreciation and amortisation	70,177,996	72,299,029
Sale of assets and liabilities	(2,304,205)	(151,579)
Fair value adjustments	13,381,693	(1,062,926)
Impairment deficit	-	3,181,310
Debt impairment	62,362,631	29,265,729
Movements in operating lease assets and accruals	(57,910)	6,451
Movements in employee related liabilities	950,504	-
Movements in provisions	(1,364,633)	9,346,684
Donations	-	2,083,864
Inventory Loss	1,120,247	3,641,777
Changes in working capital:		
Inventories	644,781	(1,985,791)
Receivables from exchange transactions	(1,221,832)	1,844,908
Consumer debtors	(71,313,791)	(33,943,615)
Other receivables from non-exchange transactions	(491,131)	(3,214,712)
Payables from exchange transactions	25,037,749	21,329,140
VAT	20,630,507	10,471,281
Unspent conditional grants and receipts	3,607,932	185,551
Consumer deposits	238,670	121,015
	67,607,243	**197,152,451**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

50. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	203,335,833	239,963,113
Total capital commitments		
Already contracted for but not provided for	203,335,833	239,963,113

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,663,207	4,422,350
- in second to fifth year inclusive	-	2,663,207
	2,663,207	**7,085,557**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

Notes to the Annual Financial Statements for the year ended 30 June 2017

51. Contingencies

The Municipality has the following Legal cases which could result in possible outflow of economic resorces.

Contigencies as at 30 June 2017

Name of Claimant	Summary of case	Responsible Law Firm	Amount Claimed	Comments
Olivier AJ/Olivier J.F.B/Methodist Church of Southern Africa/Eilfiland Nursary school and day care centre vs Mkhondo Local Muncipality	The Municipality is cited as the 3rd respondent. The applicant is suing the 3rd respondent for dereliction of duty for failure to close a crèche operating at portion 4 Erf 15 at 15 West end street, Piet Retief which is zoned as a residential area instead of a business area.	Mohlala Attorneys	R660,000	Awaiting notice of set down of the Application on the opposed roll
Mnisi Solomon Jabulani Gomu vs Mkhondo Local Municipality	Plaintiff is suing for wrongful arrest	Mohlala Attorneys	R850,000	Finalising notice of exception to be served on the Applicant
Vorster Andries Wilhelmus vs Mkhondo Municipality	Plaintiff is suing for a once off gratuity equal to 3 months' pensionable salary	Mohlala Attorneys	R25,000	Preparing the Defendant discovery affidavit to be served on the Plaintiff
Bicacon Pty Ltd vs Mkondo Municipality	Plaintiff is suing for breach of contract	Mohlala Attorneys	R5,772,853	Currently preparing a bill of costs for taxation purposes
Bicacon Pty Ltd vs Mkondo Municipality	Plaintiff is suing for breach of contract	Mohlala Attorneys	R5,319,140	Application for rescission of judgement is being opposed
Lorens Peter De Beer vs Mkhondo Municipality	Plaintiff suing the Municipality for damages on his motor vehicle because of poor storm water drainage.	Mohlala Attorneys	R470,000	Waiting for the Plaintiff to enrol the Application on the Opposed roll for matter to be argued.
Phada Trading and Projects vs Mkhondo Municipality	Plaintiff suing for amount outstanding after lapse of Level service agreement	MT Silinda	R736,976	Matter defended in court
Bareki Manageent Consulting Pty Ltd	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TMN Kgomo & Associates Inc.	Claim A R 761 383.10 Claim B R 1 169 904.48	Applicant Counsel to provide pre-trial conference date
Owethu Mkhondo Trading CC vs Mkhondo Municipality	he Plaintiff is suing the Municipality for R21 277 570.63 for alleged breach of contract	TMN Kgomo & Associates Inc.	R 21 277 570.63	The matter is ready for trial

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

51. Contingencies (continued)

Pamoja Technologies vs Mkhondo Municipality	The plaintiff is suing the Municipality the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TMN Kgomo & Associates Inc.	R 1 396 370.67	Plaintiff attorneys to furnish further instructions. File currently not assigned
Urban Economic Development	Plaintiff filed a claim against the municipality for services rendered at the request of the municipality. The claim follows the request by the municipality to incorporate Sector plans into the IDP.	TMN Kgomo & Associates Inc.	R 127 082.46	The matter has since been withdrawn
Busamasi Investments CC.	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality.	TMN Kgomo & Associates Inc.	R 2 465 000.00	Matter ineffective. Plaintiff indicated intention to withdraw matter.
Rethuseng Live Line Services CC	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant	TMN Kgomo & Associates Inc.	R 3 249 043	Agreed to appoint a firm to ascertain the amount of work done. Awaiting response from Plaintiff.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

52. Related parties

Relationships

Mr M Kunene	Refer to accounting officer's report note
Mr MJ Mkhonza	Section 56 Manager
MR A.N. Mahlangu	Section 56 Manager
Mr A.W. Nkonyane	Section 56 Manager
Mr. B. Maseko	Section 56 Manager
Ms L. T. Mathebula	Section 56 Manager
National Treasury	State controlled entity
Development Bank of South Africa	State controlled entity

Figures in Rand	2017	2016

52. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties		
Development Bank of South Africa	(743,123)	(961,294)
Local Government sector education and training authority	(126,488)	(518,556)
TWK	(6,553,768)	-
National Intergrated Electrical Programme	(4,000,000)	-
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Councillors	117,767	49,050

Related party transactions

The amounts owed to National Treasury are in respect of grants allocated to the Municipality and were unspent at the reporting date. The amounts are unsecured and bears no interest. The amount due to Development Bank of South Africa is repaybale in the next twelve months and bears interest at 15% per annum. The amounts owed by councillors are in relation to services rendered by the Municipality in the normal course of its bisiness and these services were made on terms equivalent to any other consumer debtor on an arm's length. The TWK amount is a short term loan which is due and payable in July 2017. The amount will be subject to ineterst charges if the Municipality fails to pay interest by the due date, otherwise it is interest free up to the agreed due date. The amount is secured over certian plantations.

Councillors Salary Disclosure - 2017	Annual Remuneration	Cellphone Allowance	Housing Allowance	Contribution to Pension & Medical	Travelling allowance	Total
Cllr. V. Motha	549,881	18,655	-	123,187	-	691,723
Cllr.S. Thwala	420,755	18,655	-	86,253	64,760	590,423
Cllr. Z. Mnisi	342,592	20,868	8,054	50,749	188,551	610,814
Cllr. M. Yende	342,879	20,868	8,054	50,791	182,110	604,702
Cllr. T. Khumalo	394,419	20,868	7,780	-	152,601	575,668
Cllr. G. Nkosi	285,926	20,868	8,054	51,129	166,031	532,008
Cllr. D. Thwala	186,449	20,868	8,054	26,365	77,625	319,361
Cllr. M. Ntuli	186,321	20,868	8,084	24,995	68,489	308,757
Cllr. T. Mafuyeka	181,383	20,868	8,054	21,797	68,773	300,875
Cllr. T. Nkosi	181,383	20,868	8,054	21,797	65,369	297,471
Cllr. J. Brussow	122,443	20,868	8,054	42,925	57,120	251,410
Cllr. R. Hlatshwayo	219,946	19,129	-	32,276	920	272,271
Cllr. K. Masondo	174,872	20,868	8,054	47,592	1,155	252,541
Cllr. D. Ngobese	224,340	19,129	-	27,872	3,256	274,597
Cllr. J. Makhatini	224,331	19,129	-	27,872	920	272,252
Cllr. M. Ngwenya	219,376	19,129	-	27,872	2,271	268,648
Cllr. S. Methula	165,686	20,868	8,054	-	59,463	254,071
Cllr. B. Vilakazi	145,448	20,868	8,054	19,856	59,167	253,393
Cllr. S. Mathebula	145,704	20,868	8,054	19,605	58,817	253,048
Cllr. T. Zulu	167,162	19,129	-	39,681	2,202	228,174
Cllr. B. Khumalo	169,906	19,129	-	35,829	735	225,599
Cllr. T. Nkosi	178,566	19,129	-	28,310	920	226,925
Cllr. T. Mncube	206,188	19,129	-	-	3,052	228,369
Cllr. R. Wilson	180,699	19,129	-	25,008	2,437	227,273
Cllr. D. Ntshakala	180,699	19,129	-	25,008	2,149	226,985
Cllr. T. Manana	180,699	19,129	-	25,008	1,906	226,742
Cllr. N. Zulu	179,522	19,129	-	26,163	1,698	226,512
Cllr. S. Yende	180,699	19,129	-	25,008	1,504	226,340
Cllr. B. Mkwananzi	173,627	19,129	671	26,610	6,272	226,309
Cllr. S. Mahlobo	180,699	19,129	-	25,008	970	225,806
Cllr.P. Thabethe	180,699	19,129	-	25,008	920	225,756
Cllr.S. Bophela	180,699	19,129	-	25,008	920	225,756

Notes to the Annual Financial Statements for the year ended 30 June 2017

52. Related parties (continued)

Cllr.C. Mkhwanazi	179,522	19,129	-	26,163	930	225,744
Cllr. F. Mthethwa	179,522	19,129	-	26,163	920	225,734
Cllr. B. Nkosi	178,346	19,129	-	27,318	934	225,727
Cllr. T. Hlatshwayo	180,699	19,129	-	25,008	587	225,423
Cllr. S. Mntshali	165,419	17,390	-	21,196	5,570	209,575
Cllr. B. Mchunu	136,087	13,912	-	17,558	-	167,557
Cllr. N. Ndhlovu	86,883	5,217	-	18,837	34,577	145,514
Cllr. B. Mtshali	23,479	3,478	8,420	7,456	31,584	74,417
Cllr. P. Langa	20,495	3,478	8,208	4,408	25,267	61,856
Cllr. V. Nkosi	15,398	3,478	8,417	6,117	23,688	57,098
Cllr. Z. Mthimkhulu	14,997	3,478	8,417	5,852	23,688	56,432
Cllr. L. Mkhwanazi	16,855	3,478	1,342	-	12,217	33,892
Cllr. M. Nkosi	12,182	3,478	1,342	2,303	12,217	31,522
Cllr. B. Shabangu	12,845	3,478	1,342	-	9,520	27,185
Cllr. H. Mncube	12,845	3,478	1,342	-	9,520	27,185
Cllr. N. Masuku	12,845	3,478	1,342	-	9,520	27,185
Cllr. T. Nhleko	12,845	3,478	1,342	-	9,520	27,185
Cllr. C. Mtshali	10,079	3,478	1,342	1,775	9,520	26,194
Cllr. S. Sangweni	10,079	3,478	1,342	1,775	9,520	26,194
Cllr. M. Phakathi	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. A. Thwala	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. B. Mabuza	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. C. Bios	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. J. Phakathi	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. N. Nhlengethwa	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. S. Kunene	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. S. Mtshali	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. S. Nhleko	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. L. Bosch	9,243	3,478	1,342	1,775	9,520	25,358
Cllr. S. Kambule	17,523	3,478	1,342	2,396	-	24,739
Cllr. V. Masuku	17,523	3,478	1,342	2,396	-	24,739
Subtotal	8,462,896	830,294	165,431	1,249,053	1,627,582	12,335,256
	8,462,896	**830,294**	**165,431**	**1,249,053**	**1,627,582**	**12,335,256**

Councillors Salary Disclosure - 2016	Annual Remuneration	Cellphone Allowance	Housing Allowance	Contribution to Pension & Medical	Travelling allowance	Total
Cllr. B.H. Mtshali (Mayor)	438,032	20,868	50,522	86,412	188,979	784,813
Cllr. N. Dhlovu	367,398	20,868	3,929	65,882	193,586	651,663
Cllr. P.C. Langa	358,485	20,868	49,250	51,274	155,756	635,633
Cllr. V. Nkosi	313,857	20,868	50,501	66,785	197,509	649,520
Cllr. Z. Mthimkhulu	313,740	20,868	50,501	67,623	155,614	608,346
Cllr. T. Khumalo	214,853	20,868	8,054	-	73,304	317,079
Cllr. L. Mkwananzi	214,807	20,868	8,054	-	74,126	317,855
Clllr. S. Kambule	193,703	20,868	8,084	27,802	-	250,457
Cllr. V. Masuku	191,812	20,868	8,054	27,802	1,886	250,422
Cllr. M. Yende	187,308	20,868	8,054	26,721	73,304	316,255
Cllr. Z. Mnisi	186,771	20,868	8,054	26,721	73,304	315,718
Cllr. M. Nkosi	186,771	20,868	8,054	26,721	73,304	315,718
Cllr. M. Nntuli	186,771	20,868	8,054	26,721	73,304	315,718
Cllr. K. Masondo	176,558	20,868	8,054	46,647	600	252,727
Cllr D.Twala	174,827	20,868	8,054	38,692	74,275	316,716
Cllr. H. Mncube	165,977	20,868	8,054	-	57,120	252,019
Cllr. S. Methula	165,686	20,868	8,054	-	57,120	251,728
Cllr. B.Shabangu	165,686	20,868	8,054	-	57,120	251,728
Cllr. N. Masuku	165,585	20,868	8,054	-	57,120	251,627
Cllr. T. Nhleko	160,601	20,868	8,054	5,024	59,006	253,553
Cllr. S. Mathebula	144,811	20,868	8,054	19,879	57,120	250,732

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand					2017	2016

52. Related parties (continued)

Cllr. L. Bosch	144,788	20,868	8,054	19,901	57,120	250,731
Cllr. T. Mafuyeka	144,788	20,868	8,054	19,901	57,120	250,731
Cllr. B. Vilakazi	144,635	20,868	8,054	20,051	57,120	250,728
Cllr. M. Phakathi	144,039	20,868	8,054	20,597	57,120	250,678
Cll. C. Bios	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. S. Kunene	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. B. Mabuza	144,054	20,868	8,054	20,597	59,006	252,579
Cllr. C. Mtshali	144,054	20,868	8,054	20,597	59,006	252,579
Cllr. S. Mtshali	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. S. Nhleko	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. N. Nhlengethwa	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. G. Nkosi	144,054	20,868	8,054	20,597	60,885	254,458
Cllr. T. Nkosi	144,039	20,868	8,054	20,597	60,296	253,854
Cllr. J. Phakathi	144,054	20,868	8,054	20,597	59,006	252,579
Cllr. S. Sangweni	144,039	20,868	8,054	20,597	61,781	255,339
Cllr. A. Thwala	144,039	20,868	8,054	20,597	57,120	250,678
Cllr. J. Brussow	123,607	20,868	8,054	41,183	57,120	250,832
Subtotal	7,104,424	792,984	470,515	979,503	2,741,757	12,089,183
	7,104,424	**792,984**	**470,515**	**979,503**	**2,741,757**	**12,089,183**

53. Events after the reporting date

On the 19th of Janaury 2017, Council made a resolution to pay Councillors salaries, allowances and other benefits on a grade 4 Municipality scale. An application was then made to the MEC for Co-operative Governance and Traditional Affairs for the granting of the authority to implement the resolution.

On 29 July 2017, the MEC declined to concur with the Application by the Municipality on the basis of weak financial standing of the Municipality. The Municipality Council salaries, allowances and other benefits will continue to be paid on the scale of a grade 3 municipality.

Mkhondo Local Municipality
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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	35,083,859	-	(487,969)	-	-	-	**34,595,890**	-	-	-	-	-	**-**	34,595,890
Buildings (Separate for AFS purposes)	58,222,672	-	-	-	-	-	**58,222,672**	(11,969,859)	-	-	(1,176,556)	-	**(13,146,415)**	45,076,257
	93,306,531	**-**	**(487,969)**	**-**	**-**	**-**	**92,818,562**	**(11,969,859)**	**-**	**-**	**(1,176,556)**	**-**	**(13,146,415)**	**79,672,147**
Infrastructure														
Roads, Pavements & Bridges	1,150,942,988	-	(189,536)	-	-	-	**1,150,753,452**	(583,106,254)	54,153	-	(41,262,732)	-	**(624,314,833)**	526,438,619
Storm water	54,504,022	-	-	-	-	-	**54,504,022**	(32,698,332)	-	-	(1,367,973)	-	**(34,066,305)**	20,437,717
Transmission & Reticulation	464,332,450	-	1,651,031	-	-	-	**465,983,481**	(282,109,396)	878,123	-	(11,279,464)	-	**(292,510,737)**	173,472,744
Water purification	217,645,025	-	-	-	-	-	**217,645,025**	(103,819,261)	-	-	(5,341,421)	-	**(109,160,682)**	108,484,343
Sewerage purification	254,207,337	-	-	-	-	-	**254,207,337**	(123,317,318)	-	-	(5,425,526)	-	**(128,742,844)**	125,464,493
	2,141,631,822	**-**	**1,461,495**	**-**	**-**	**-**	**2,143,093,317**	**1,125,050,561)**	**932,276**	**-**	**(64,677,116)**	**-**	**1,188,795,401)**	**954,297,916**
Community Assets														
Parks & gardens	2,724,500	-	-	-	-	-	**2,724,500**	(1,307,760)	-	-	(95,600)	-	**(1,403,360)**	1,321,140
Sportsfields and stadium	2,807,000	-	-	-	-	-	**2,807,000**	(1,347,360)	-	-	(31,200)	-	**(1,378,560)**	1,428,440
Community halls	7,780,000	-	-	-	-	-	**7,780,000**	(5,294,400)	-	-	(54,449)	-	**(5,348,849)**	2,431,151
Libraries	1,560,000	-	-	-	-	-	**1,560,000**	(684,800)	-	-	(56,140)	-	**(740,940)**	819,060
Other	1,933,390	-	-	-	-	-	**1,933,390**	(302,115)	-	-	(352,506)	-	**(654,621)**	1,278,769
Cemeteries	17,625,308	-	-	-	-	-	**17,625,308**	(776,158)	-	-	(38,668)	-	**(814,826)**	16,810,482
	34,430,198	**-**	**-**	**-**	**-**	**-**	**34,430,198**	**(9,712,593)**	**-**	**-**	**(628,563)**	**-**	**(10,341,156)**	**24,089,042**

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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	24,704,927	763,883	(4,469,941)	-	-	-	**20,998,869**	(18,870,989)	4,469,941	-	(1,919,241)	-	**(16,320,289)**	4,678,580
Plant & equipment	13,141,311	1,247,863	(7,799)	-	-	-	**14,381,375**	(11,439,114)	7,799	-	(893,420)	-	**(12,324,735)**	2,056,640
Computer Equipment	4,586,302	691,190	(287,257)	-	-	-	**4,990,235**	(3,777,175)	287,257	-	(616,278)	-	**(4,106,196)**	884,039
Furniture & Fittings	6,441,760	481,605	(133,570)	-	-	-	**6,789,795**	(4,589,879)	133,570	-	(650,213)	-	**(5,106,522)**	1,683,273
Office Equipment	2,643,275	2,399,631	(94,853)	-	-	-	**4,948,053**	(1,546,882)	94,853	-	(827,013)	-	**(2,279,042)**	2,669,011
Work in progress	238,706,326	75,164,616	-	-	-	-	**313,870,942**	-	-	-	-	-	**-**	313,870,942
	290,223,901	**80,748,788**	**(4,993,420)**	**-**	**-**	**-**	**365,979,269**	**(40,224,039)**	**4,993,420**	**-**	**(4,906,165)**	**-**	**(40,136,784)**	**325,842,485**

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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	93,306,531	-	(487,969)	-	-	-	92,818,562	(11,969,859)	-	-	(1,176,556)	-	(13,146,415)	79,672,147
Infrastructure	2,141,631,822	-	1,461,495	-	-	-	2,143,093,317	(1,125,050,561)	932,276	-	(64,677,116)	-	(1,188,795,401)	954,297,916
Community Assets	34,430,198	-	-	-	-	-	34,430,198	(9,712,593)	-	-	(628,563)	-	(10,341,156)	24,089,042
Other assets	290,223,901	80,748,788	(4,993,420)	-	-	-	365,979,269	(40,224,039)	4,993,420	-	(4,906,165)	-	(40,136,784)	325,842,485
	2,559,592,452	**80,748,788**	**(4,019,894)**	**-**	**-**	**-**	**2,636,321,346**	**(1,186,957,052)**	**5,925,696**	**-**	**(71,388,400)**	**-**	**(1,252,419,756)**	**1,383,901,590**
Agricultural/Biological assets														
Biological assets	72,264,809	-	-	-	(13,391,797)	-	58,873,012	-	-	-	-	-	-	58,873,012
	72,264,809	**-**	**-**	**-**	**(13,391,797)**	**-**	**58,873,012**	**-**	**-**	**-**	**-**	**-**	**-**	**58,873,012**
Intangible assets														
Computers - software & programming	167,250	-	-	-	-	-	167,250	(8,363)	-	-	(33,450)	-	(41,813)	125,437
	167,250	**-**	**-**	**-**	**-**	**-**	**167,250**	**(8,363)**	**-**	**-**	**(33,450)**	**-**	**(41,813)**	**125,437**
Investment properties														
Investment property	32,502,300	-	(31,500)	-	-	-	32,470,800	(14,974,400)	-	-	(623,300)	-	(15,597,700)	16,873,100
	32,502,300	**-**	**(31,500)**	**-**	**-**	**-**	**32,470,800**	**(14,974,400)**	**-**	**-**	**(623,300)**	**-**	**(15,597,700)**	**16,873,100**
Total														
Land and buildings	93,306,531	-	(487,969)	-	-	-	92,818,562	(11,969,859)	-	-	(1,176,556)	-	(13,146,415)	79,672,147
Infrastructure	2,141,631,822	-	1,461,495	-	-	-	2,143,093,317	(1,125,050,561)	932,276	-	(64,677,116)	-	(1,188,795,401)	954,297,916
Community Assets	34,430,198	-	-	-	-	-	34,430,198	(9,712,593)	-	-	(628,563)	-	(10,341,156)	24,089,042
Other assets	290,223,901	80,748,788	(4,993,420)	-	-	-	365,979,269	(40,224,039)	4,993,420	-	(4,906,165)	-	(40,136,784)	325,842,485
Agricultural/Biological assets	72,264,809	-	-	-	(13,391,797)	-	58,873,012	-	-	-	-	-	-	58,873,012
Intangible assets	167,250	-	-	-	-	-	167,250	(8,363)	-	-	(33,450)	-	(41,813)	125,437
Investment properties	32,502,300	-	(31,500)	-	-	-	32,470,800	(14,974,400)	-	-	(623,300)	-	(15,597,700)	16,873,100
	2,664,526,811	**80,748,788**	**(4,051,394)**	**-**	**(13,391,797)**	**-**	**2,727,832,408**	**(1,201,939,815)**	**5,925,696**	**-**	**(72,045,150)**	**-**	**(1,268,059,269)**	**1,459,773,139**

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	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	46,627,243	-	(1,208,196)	(38,000)	-	**(10,297,188)**	**35,083,859**	-	-	-	-	-	**-**	35,083,859
Buildings (Separate for AFS purposes)	31,921,152	-	(108,863)	24,032,889	-	**2,377,494**	**58,222,672**	(12,604,356)	1,861,348	(256,145)	(955,822)	(14,884)	**(11,969,859)**	46,252,813
	78,548,395	**-**	**(1,317,059)**	**23,994,889**	**-**	**(7,919,694)**	**93,306,531**	**(12,604,356)**	**1,861,348**	**(256,145)**	**(955,822)**	**(14,884)**	**(11,969,859)**	**81,336,672**
Infrastructure														
Roads, Pavements & Bridges	1,131,038,145	156,329	-	19,087,503	-	**661,011**	**1,150,942,988**	(540,672,400)	-	-	(42,433,854)	-	**(583,106,254)**	567,836,734
Storm water	51,495,876	-	-	3,008,146	-	**-**	**54,504,022**	(31,394,949)	-	-	(1,303,383)	-	**(32,698,332)**	21,805,690
Transmission & Reticulation	460,233,575	694,768	-	3,404,107	-	**-**	**464,332,450**	(270,847,549)	-	-	(11,261,847)	-	**(282,109,396)**	182,223,054
Water purification	217,509,725	135,300	-	-	-	**-**	**217,645,025**	(98,278,598)	-	256,145	(5,796,808)	-	**(103,819,261)**	113,825,764
Sewerage purification	232,983,236	-	-	21,224,101	-	**-**	**254,207,337**	(118,867,275)	-	-	(4,450,043)	-	**(123,317,318)**	130,890,019
	2,093,260,557	**986,397**	**-**	**46,723,857**	**-**	**661,011**	**2,141,631,822**	**(1,060,060,771)**	**-**	**256,145**	**(65,245,935)**	**-**	**(1,125,050,561)**	**1,016,581,261**
Community Assets														
Parks & gardens	2,724,500	-	-	-	-	**-**	**2,724,500**	(1,253,270)	-	-	(54,490)	-	**(1,307,760)**	1,416,740
Sportsfields and stadium	2,807,000	-	-	-	-	**-**	**2,807,000**	(1,291,220)	-	-	(56,140)	-	**(1,347,360)**	1,459,640
Community halls	7,780,000	-	-	-	-	**-**	**7,780,000**	(5,198,800)	-	-	(95,600)	-	**(5,294,400)**	2,485,600
Libraries	1,560,000	-	-	-	-	**-**	**1,560,000**	(653,600)	-	-	(31,200)	-	**(684,800)**	875,200
Other	1,933,390	-	-	-	-	**-**	**1,933,390**	(263,369)	-	-	(38,746)	-	**(302,115)**	1,631,275
Cemeteries	17,625,308	-	-	-	-	**-**	**17,625,308**	(423,652)	-	-	(352,506)	-	**(776,158)**	16,849,150
	34,430,198	**-**	**-**	**-**	**-**	**-**	**34,430,198**	**(9,083,911)**	**-**	**-**	**(628,682)**	**-**	**(9,712,593)**	**24,717,605**

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	24,835,693	-	(130,766)	-	-	**-**	**24,704,927**	(16,623,501)	130,766	-	(2,390,730)	12,476	**(18,870,989)**	5,833,938
Plant & equipment	12,660,606	480,705	-	-	-	**-**	**13,141,311**	(10,603,016)	-	-	(836,098)	-	**(11,439,114)**	1,702,197
Computer Equipment	4,091,089	537,610	(42,397)	-	-	**-**	**4,586,302**	(3,164,855)	13,873	-	(626,193)	-	**(3,777,175)**	809,127
Furniture & Fittings	5,800,418	275,134	-	-	-	**366,208**	**6,441,760**	(3,938,715)	-	-	(651,164)	-	**(4,589,879)**	1,851,881
Office Equipment	2,065,307	577,968	-	-	-	**-**	**2,643,275**	(1,137,535)	-	-	(409,347)	-	**(1,546,882)**	1,096,393
Work in progress	96,672,098	209,776,860	-	(67,742,632)	-	**-**	**238,706,326**	-	-	-	-	-	**-**	238,706,326
	146,125,211	**211,648,277**	**(173,163)**	**(67,742,632)**	**-**	**366,208**	**290,223,901**	**(35,467,622)**	**144,639**	**-**	**(4,913,532)**	**12,476**	**(40,224,039)**	**249,999,862**

Mkhondo Local Municipality

Mkhondo Local Municipality

Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	78,548,395	-	(1,317,059)	23,994,889	-	**(7,919,694)**	**93,306,531**	(12,604,356)	1,861,348	(256,145)	(955,822)	(14,884)	**(11,969,859)**	81,336,672
Infrastructure	2,093,260,557	986,397	-	46,723,857	-	**661,011**	**2,141,631,822**	(1,060,060,771)	-	256,145	(65,245,935)	-	**(1,125,050,561)**	1,016,581,261
Community Assets	34,430,198	-	-	-	-	**-**	**34,430,198**	(9,083,911)	-	-	(628,682)	-	**(9,712,593)**	24,717,605
Other assets	146,125,211	211,648,277	(173,163)	(67,742,632)	-	**366,208**	**290,223,901**	(35,467,622)	144,639	-	(4,913,532)	12,476	**(40,224,039)**	249,999,862
	2,352,364,361	**212,634,674**	**(1,490,222)**	**2,976,114**	**-**	**(6,892,475)**	**2,559,592,452**	**(1,117,216,660)**	**2,005,987**	**-**	**(71,743,971)**	**(2,408)**	**(1,186,957,052)**	**1,372,635,400**
Agricultural/Biological assets														
Biological assets	70,794,896	-	-	-	1,469,913	**-**	**72,264,809**	-	-	-	-	-	**-**	72,264,809
	70,794,896	**-**	**-**	**-**	**1,469,913**	**-**	**72,264,809**	**-**	**-**	**-**	**-**	**-**	**-**	**72,264,809**
Intangible assets														
Computers - software & programming	167,250	-	-	-	-	**-**	**167,250**	-	-	-	(8,363)	-	**(8,363)**	158,887
	167,250	**-**	**-**	**-**	**-**	**-**	**167,250**	**-**	**-**	**-**	**(8,363)**	**-**	**(8,363)**	**158,887**
Investment properties														
Investment property	32,464,300	-	-	38,000	-	**-**	**32,502,300**	(14,154,700)	-	-	(546,700)	(273,000)	**(14,974,400)**	17,527,900
	32,464,300	**-**	**-**	**38,000**	**-**	**-**	**32,502,300**	**(14,154,700)**	**-**	**-**	**(546,700)**	**(273,000)**	**(14,974,400)**	**17,527,900**
Total														
Land and buildings	78,548,395	-	(1,317,059)	23,994,889	-	**(7,919,694)**	**93,306,531**	(12,604,356)	1,861,348	(256,145)	(955,822)	(14,884)	**(11,969,859)**	81,336,672
Infrastructure	2,093,260,557	986,397	-	46,723,857	-	**661,011**	**2,141,631,822**	(1,060,060,771)	-	256,145	(65,245,935)	-	**(1,125,050,561)**	1,016,581,261
Community Assets	34,430,198	-	-	-	-	**-**	**34,430,198**	(9,083,911)	-	-	(628,682)	-	**(9,712,593)**	24,717,605
Other assets	146,125,211	211,648,277	(173,163)	(67,742,632)	-	**366,208**	**290,223,901**	(35,467,622)	144,639	-	(4,913,532)	12,476	**(40,224,039)**	249,999,862
Agricultural/Biological assets	70,794,896	-	-	-	1,469,913	**-**	**72,264,809**	-	-	-	-	-	**-**	72,264,809
Intangible assets	167,250	-	-	-	-	**-**	**167,250**	-	-	-	(8,363)	-	**(8,363)**	158,887
Investment properties	32,464,300	-	-	38,000	-	**-**	**32,502,300**	(14,154,700)	-	-	(546,700)	(273,000)	**(14,974,400)**	17,527,900
	2,455,790,807	**212,634,674**	**(1,490,222)**	**3,014,114**	**1,469,913**	**(6,892,475)**	**2,664,526,811**	**(1,131,371,360)**	**2,005,987**	**-**	**(72,299,034)**	**(275,408)**	**(1,201,939,815)**	**1,462,586,996**

Mkhondo Local Municipality
Appendix D
June 2017

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
273,803,335	204,979,352	68,823,983	Executive & Council/Mayor and Council	290,260,512	244,791,655	45,468,857
341,923	20,346,669	(20,004,746)	Finance & Admin/Finance	1,075,524	26,368,115	(25,292,591)
15,861,408	33,118,724	(17,257,316)	Planning and Development/Economic Development/Plan	3,091,975	35,814,170	(32,722,195)
-	15,472,930	(15,472,930)	Health/Clinics	-	14,070,642	(14,070,642)
136,632	2,326,510	(2,189,878)	Comm. & Social/Libraries and archives	(134,326)	2,642,592	(2,776,918)
178,213	114,972	63,241	Housing	278,778	156,199	122,579
14,514,775	24,508,101	(9,993,326)	Public Safety/Police	16,434,641	18,505,803	(2,071,162)
18,120	5,131,401	(5,113,281)	Sport and Recreation	19,353	5,789,280	(5,769,927)
-	-	-	Environmental Protection/Pollution Control	-	-	-
16,711,767	18,490,629	(1,778,862)	Waste Water Management/Sewerage	19,142,126	12,553,955	6,588,171
-	-	-	Road Transport/Roads	-	-	-
128,274,096	33,840,733	94,433,363	Water/Water Distribution	31,502,222	37,822,600	(6,320,378)
106,979,383	118,893,602	(11,914,219)	Electricity /Electricity Distribution	128,674,368	140,117,979	(11,443,611)
17,619,473	13,481,167	4,138,306	Other/Air Transport	9,125,682	14,588,300	(5,462,618)
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
574,439,125	**490,704,790**	**83,734,335**		**499,470,855**	**553,221,290**	**(53,750,435)**
			Municipal Owned Entities			
-	-	-	null	-	-	-
-	-	-	null	-	-	-
-	-	-	null	-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
574,439,125	490,704,790	83,734,335	Municipality	499,470,855	553,221,290	(53,750,435)
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Mkhondo Local Municipality
Appendix D
June 2017

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
574,439,125	**490,704,790**	**83,734,335**	**Total**	**499,470,855**	**553,221,290**	**(53,750,435)**

Mkhondo Local Municipality
Appendix E(1)
June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2017 Act. Bal. Rand	Current year 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	163,927,310	136,040,206	27,887,104	20.5	Deployed meter reading gadgets which improved the efficiency and accuracy of meter readings and hence improvement in the billing system.
Agency services	12,155,307	6,487,143	5,668,164	87.4	Department of Community services wrote off some amounts owed by the Municipality and hence the significant increase in the variance
Licences and permits	115,639	66,100	49,539	74.9	Increase in the number of cars being registered
Rental income	751,153	719,633	31,520	4.4	Immaterial
Other income - (rollup)	24,664,148	26,439,337	(1,775,189)	(6.7)	Mainly VAT assessments which reduced the income significantly.
Interest received - investment	16,599,564	16,843,935	(244,371)	(1.5)	Immaterial
	218,213,121	186,596,354	31,616,767	16.9	
Expenses					
Personnel	(148,774,440)	(148,722,395)	(52,045)	-	Immaterial
Remuneration of councillors	(12,038,936)	(14,652,897)	2,613,961	(17.8)	The majority of councillors sworn months into the financial year and hence the reduction in costs
Depreciation	(70,095,464)	(75,079,517)	4,984,053	(6.6)	Within the budget
Amortisation	(82,532)	-	(82,532)	-	Budget under depreciation
Impairments	-	-	-	-	
Finance costs	(9,476,140)	(265,532)	(9,210,608)	,468.7	Main cost is interest on overdue accounts which were not budgetted for
Debt Impairment	(62,362,631)	(30,312,900)	(32,049,731)	105.7	Consumer debtors not servicing their accounts and hence the huge debt impairment provisiion
Repairs and maintenance - General	(25,240,375)	(20,880,151)	(4,360,224)	20.9	Due to ageing fleet and machinery which is now taking a toll on repairs.
Bulk purchases	(115,583,252)	(110,193,920)	(5,389,332)	4.9	Increased demand of electricity due to various elecrification projects completed.
Transfers and Subsidies	(6,675,705)	(12,728,396)	6,052,691	(47.6)	Not as many consumers accessed the subsidy as projected in the budget.
General Expenses	(102,933,345)	(102,511,049)	(422,296)	0.4	Savings as a result of scaling down on procurement during the last few months of theyear
	(553,262,820)	(515,346,757)	(37,916,063)	7.4	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	2,304,205	3,500,000	(1,195,795)	(34.2)	Disposed of items did not realise as much as was expected.
Fair value adjustments	(13,381,693)	-	(13,381,693)	-	Not budgeted for
	(11,077,488)	3,500,000	(14,577,488)	(416.5)	
Net surplus/ (deficit) for the year	(346,127,187)	(325,250,403)	(20,876,784)	6.4	

Mkhondo Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016											2016/2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	44,252,409	-	44,252,409	-		44,252,409	40,362,102		(3,890,307)	91 %	91 %				34,003,480
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	93,671,000	6,750,000	100,421,000	-		100,421,000	121,224,200		20,803,200	121 %	129 %				89,281,225
Service charges - water revenue	15,926,000	-	15,926,000	-		15,926,000	23,560,984		7,634,984	148 %	148 %				15,090,592
Service charges - sanitation revenue	8,454,000	1,069,000	9,523,000	-		9,523,000	9,152,886		(370,114)	96 %	108 %				7,702,908
Service charges - refuse revenue	9,235,000	845,000	10,080,000	-		10,080,000	9,989,240		(90,760)	99 %	108 %				8,710,661
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	693,000	26,000	719,000	-		719,000	751,153		32,153	104 %	108 %				-
Interest earned - external investments	947,000	-	947,000	-		947,000	442,467		(504,533)	47 %	47 %				1,028,297
Interest earned - outstanding debtors	10,574,000	5,323,000	15,897,000	-		15,897,000	16,157,097		260,097	102 %	153 %				10,659,449
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	761,000	(25,000)	736,000	-		736,000	3,017,209		2,281,209	410 %	396 %				3,779,036
Licences and permits	37,000	29,000	66,000	-		66,000	115,639		49,639	175 %	313 %				31,508
Agency services	6,458,000	-	6,458,000	-		6,458,000	12,155,307		5,697,307	188 %	188 %				9,743,260
Transfers recognised - operational	174,112,000	1,088,000	175,200,000	-		175,200,000	171,605,604		(3,594,396)	98 %	99 %				168,294,917
Other revenue	27,159,000	(720,000)	26,439,000	-		26,439,000	13,333,484		(13,105,516)	50 %	49 %				25,926,643
Gains on disposal of PPE	3,500,000	-	3,500,000	-		3,500,000	2,304,205		(1,195,795)	66 %	66 %				151,579
Total Revenue (excluding capital transfers and contributions)	**395,779,409**	**14,385,000**	**410,164,409**	**-**		**410,164,409**	**424,171,577**		**14,007,168**	**103 %**	**107 %**				**374,403,555**

Mkhondo Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	132,739,000	15,983,000	148,722,000	-	-	148,722,000	151,936,089	-	3,214,089	102 %	114 %	-	-	-	128,741,429
Remuneration of councillors	14,653,000	-	14,653,000	-	-	14,653,000	12,752,576	-	(1,900,424)	87 %	87 %	-	-	-	13,086,474
Debt impairment	30,313,000	-	30,313,000		-	30,313,000	62,362,631	-	32,049,631	206 %	206 %	-	-	-	32,171,632
Depreciation & asset impairment	75,080,000	-	75,080,000		-	75,080,000	67,207,199	-	(7,872,801)	90 %	90 %	-	-	-	72,574,434
Finance charges	266,000	-	266,000	-	-	266,000	9,435,887	-	9,169,887	3,547 %	3,547 %	-	-	-	12,698,943
Bulk purchases	110,194,000	2,000	110,196,000	-	-	110,196,000	124,010,531	-	13,814,531	113 %	113 %	-	-	-	101,297,056
Other materials	17,497,000	3,384,000	20,881,000	-	-	20,881,000	24,114,971	-	3,233,971	115 %	138 %	-	-	-	-
Contracted services	27,002,000	13,418,000	40,420,000	-	-	40,420,000	-	-	(40,420,000)	- %	- %	-	-	-	-
Transfers and grants	12,728,000	-	12,728,000	-	-	12,728,000	6,675,705	-	(6,052,295)	52 %	52 %	-	-	-	3,929,752
Other expenditure	58,964,000	3,127,000	62,091,000	-	-	62,091,000	104,798,977	-	42,707,977	169 %	178 %	-	-	-	129,846,846
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**479,436,000**	**35,914,000**	**515,350,000**	**-**	**-**	**515,350,000**	**563,294,566**	**-**	**47,944,566**	**109 %**	**117 %**	**-**	**-**	**-**	**494,346,566**
Surplus/(Deficit)	**(83,656,591)**	**(21,529,000)**	**(105,185,591)**	**-**		**(105,185,591)**	**(139,122,989)**		**(33,937,398)**	**132 %**	**166 %**				**(119,943,011)**
Transfers recognised - capital	75,166,000	(233,000)	74,933,000	-		74,933,000	77,165,564		2,232,564	103 %	103 %				191,035,163
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				12,642,184
Internally generated funds	2,100,000	26,573,000	28,673,000	-		28,673,000	-		(28,673,000)	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	**(6,390,591)**	**4,811,000**	**(1,579,591)**	**-**		**(1,579,591)**	**(61,957,425)**		**(60,377,834)**	**3,922 %**	**970 %**				**83,734,336**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**(6,390,591)**	**4,811,000**	**(1,579,591)**	**-**		**(1,579,591)**	**(61,957,425)**		**(60,377,834)**	**3,922 %**	**970 %**				**83,734,336**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**(6,390,591)**	**4,811,000**	**(1,579,591)**	**-**		**(1,579,591)**	**(61,957,425)**		**(60,377,834)**	**3,922 %**	**970 %**				**83,734,336**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**(6,390,591)**	**4,811,000**	**(1,579,591)**	**-**		**(1,579,591)**	**(61,957,425)**		**(60,377,834)**	**3,922 %**	**970 %**				**83,734,336**